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Mr. Chamberlain's Proposals

What they Mean and What
we shall Gain by Them

By

C. A. Vince, M.A.

General Secretary of the Imperial Tariff Committee

With a Preface by

The Right Hon.

Joseph Chamberlain, M.P.

London

Grant Richards

1903

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PREFACE

THE following articles by Mr. Charles Vince were intended to summarise the principal points for inquiry in the discussion lately raised as to how far our present fiscal policy is adapted to the actual needs of this country and of the British Empire.

It is not pretended that they form an exhaustive statement of the case, and Mr. Vince is solely responsible for the facts and figures which they contain and for the manner in which they are treated. I welcome them as a serious contribution to an important and intricate controversy.

They are addressed to men of all political opinions, since the questions now raised are not necessarily matters of party politics, nor indeed is it likely that the issues will be ultimately decided on strictly party lines.

The changes which have taken place in the condition of our trade, in the commercial policy of other nations, and in the relations between ourselves and our Colonies and possessions abroad, are sufficient to justify the demand for an inquiry ; and it is difficult to believe that the results of investigation will not convince every impartial man of the necessity of some reconstruction of a system which has remained stationary and unaltered for more than half a century, while every other policy has been modified and adapted to meet modern requirements. Every other nation and all our own self-governing Colonies have refused to accept the gospel of Cobden ; and yet, although they ought, according to its dogmas, to be in the last stage of depression

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and decline, they have grown during the last twenty years in wealth, population, trade, and in everything that goes to make up the greatness of a nation ; while the prosperity of the working classes has increased in greater proportion in protected countries than in the United Kingdom.

In face of this it is contended by the more fanatical of the Free Importers that it is an act of impertinence and almost of profanity to question a policy which has produced results entirely unexpected by its authors and unsatisfactory to those who desire to maintain the position of British industry and to make the British Empire self-sufficient.

Those who thus maintain in a spirit of blind obscurantism the absolute inspiration of an antiquated doctrine will have much to explain.

They cannot continue to ignore the utter failure of the prophecies by which the agitation, which ultimately gave us our present system, was accompanied and supported. Free Trade, if it had ever existed, might have secured for us all that its promoters promised, but Free Imports without Free Trade have brought us face to face with problems which never entered into Cobden's calculations. How he would have attempted to solve them is matter for speculation. We know that the idea of a United Empire did not appeal to him, and that he regarded the Colonies as an encumbrance to be got rid of as soon as possible. Neither he, therefore, nor the Little Englanders who follow his lead in this respect, are likely to be moved by any considerations arising out of our new-found pride and faith in our distant kinsmen.

But what would Cobden have said if he had foreseen that the Trades Unions, whose existence he deprecated and whose influence he denounced, would be successful, with the aid of social reformers of all parties and opinions, in protecting labour in a score of ways tending to increase the rate of wages and raise the standard of living ? Would he, as a representative of the manufacturing class, have still maintained

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that, while the manufacturer was artificially prevented from obtaining labour at the lowest rate, he ought to rest content when the products of foreign labour, untrammelled by any of the regulations and legislation to which he has to submit, undersell him in his own market ?

Cobden's scheme was at least a consistent one. It was Free Labour as well as Free Imports ; but Free Imports combined with protected labour is neither consistent nor profitable to any of the parties concerned.

Again, according to the Cobdenic idea, this country is at present doubly fortunate in that she enjoys Free Trade, while all the other great States are Protectionist. They are *ex-hypothesi* ruining themselves by bounties and import duties for our advantage. It is a consoling theory ; but how does it coincide with the fact that, during the last twelve years, our exports have been practically stationary, while theirs have greatly increased, and are growing so rapidly that, if the relative progress continues for a few years longer, they will have left us far behind ?

I have already said that the Little Englander Free Traders care nothing for the Colonies, but I am bound to believe the Imperialist Free Traders when they declare that the interests and union of the Empire are as dear to them as to us.

But if this be so, what answer are they going to return when our Colonies ask that we shall treat them in commercial matters a little better than the foreigner, and when they promise reciprocal advantages in return ?

It is no answer to offer them an Imperial Council which they have already refused. Is there any other alternative wherewith to resist the centrifugal tendency of our existing arrangements ?

It is not prudent to minimise the importance of a policy of reciprocity. Not only are the Colonies likely to expand in ever increasing proportion, and thus to give constantly increased value to the concessions they now offer to us ;

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but if we reject their proposals we are in great danger of losing our present trade with them, as well as the prospects of future extension.

It is entirely owing to the growth of our Colonial trade that the actual and heavy decline in our exports to foreign protected countries has been concealed in our general returns. Refuse to meet the Colonies in their present advance, and we shall find this trade rapidly passing away under the influence of higher protective duties, and of reciprocity agreements with foreign countries which do not share our fiscal scruples.

Then what is our position with regard to negotiations with foreign powers? Do the stern advocates of unrestricted imports consider it satisfactory that we should have nothing to bargain with, and should therefore continue to be grateful for such crumbs as fall from the rich man's table in the shape at the best of a most-favoured-nation clause, which only gives us the benefits of arrangements previously made with sole reference to the interests of other persons, and in respect to which we have never been consulted? If France, for instance, secures from Germany a great concession upon her wines, are we to console our cotton spinners and ironworkers, to whom no concession whatever has been made, by telling them that they have no cause of complaint, since the most-favoured-nation clause gives to us the same advantage on the export of claret as to the French themselves? Is it not childish to ignore the fact that by bargaining on equal terms other nations have been able to promote their special interests, and that if we also had in our hands the weapons of retaliation we should probably be able to bring the world much nearer to a universal Free Trade system than it has ever been since Cobden's time?

Lastly, our free food friends will have to be a little more definite and a little more accurate. They will have, for

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instance, to explain why a transfer of taxation, say, from tea to bread, would be disastrous, even though it benefited our industries and restored them to something like the relative position which they enjoyed twenty years ago.

They will have to decide once for all whether foreign bounties are a blessing or a curse, and whether "dumping" is a philanthropic operation by which foreigners are endeavouring to secure the welfare of this country, or an insidious attempt to ruin our industries and obtain our markets for themselves.

They will not be allowed to evade these questions by the cheap device of abusing their opponents, nor by printing, under the protection of honoured names, the wild and improbable assertion that those who are calling attention to the dangers of a situation which menaces the welfare of the working classes of this country are at heart only bent on reducing the workman and his family to starvation. Let them at least admit that, rightly or wrongly, this policy is propounded in the interests of the masses of the people—of the poor much more than of the rich—and that those who are responsible for it have earned, by strenuous endeavour in the past, the right to resent the charge of neglecting the interests of the industrial population.

J. CHAMBERLAIN.

BIRMINGHAM,

Sept. 24, 1903

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THE IMPERIAL PROBLEM

THE discussion that has occupied so large a share of public attention since Mr. Chamberlain's Birmingham speech of May 15 has turned so largely on the fiscal questions involved, that it may be well to begin the following contribution to the debate by reminding the reader that the issue, as raised by Mr. Chamberlain, is primarily an issue of Imperial, not of fiscal, policy. The course of events has brought to us—such is the case as presented by the Colonial Secretary—an opportunity of doing something definite, something practical, something permanent, in the way of promoting that consolidation of the Empire which has for so long been a theme of idle eloquence.

That is Mr. Chamberlain's case. For eight years it has been his business to watch the politics and the public feeling of the self-governing Colonies year by year, day by day, hour by hour. He has studied information derived from many sources not generally accessible. It is well known that he has won the confidence of the Colonials in a degree never approached by any British statesman. Surely when he tells us that there is an Imperial question to be dealt with, for so much at least we may take his word without demur.

May not the claim be put even on higher ground? Mr. Chamberlain has, by common consent, made good progress so far in his work of consolidating the Empire. What has been done hitherto has been done without legislation. It has been done with, and could not have been done without, the approval and support of the Parliament and people of the United Kingdom: but not with their active assistance. The Colonial Secretary now appeals to Parliament and

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people, and says : " Now is the time for you to help. Our progress towards Federation has now reached a point at which legislative assistance is wanted. We have encountered a difficulty which cannot be overcome with the means at our disposal, and therefore we must enlarge our powers." Is this an appeal to be lightly disregarded ? How can it be possible to find a fair reason for treating it with disdain in the writings and sayings of Cobden, Ricardo, and other worthies, who, having served their own generation, passed away forty or fifty years ago, with no sort of prevision of the Imperial development that we have now reached ?

Let such respect be paid to Cobden by the statesmen of to-day as Cobden owed to Pitt, or Pitt to Walpole, or Walpole to Somers. It is sufficient if each generation of statesmen finds wisdom to solve its own new problems. But if we are always to be satisfied with the wisdom of our fathers, if the history of our own times is to teach us nothing new, then the march of political progress must stop.

THE IMPERIAL ISSUE MUST BE PUT FIRST

Nevertheless, because Mr. Chamberlain's proposal involves some readjustment of our fiscal habits, it has been treated by many disputants as though the primary intention of the policy were to unsettle the methods by which the public purse is filled : as though the old question of Free Trade and Protection were being raised anew—that and nothing else : as though Mr. Chamberlain were a Protectionist who had found a novel disguise, easily penetrated by his sagacious critics, for his detestable heresy !

It was an eminent statistician, and an economist of unsuspected orthodoxy—Sir Robert Giffen—who made the first protest against this perverse view of the issue :

" The main object of Mr. Chamberlain's speech was to show that a new stage in the question of Preferential Tariffs has been reached : that a practical issue has been raised by Canada on which a decision must be taken : and that the decision can no longer be arrived at on grounds of economic policy alone, but, for political considerations, regard must be

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had to the wishes and desires of the Colonies, however much we may disagree with them economically. . . . The practical point is that we have now a case where something must be done, or the Empire itself will be in danger. It is hardly to the point to show, when the Colonies are so much concerned, that a particular course is against the settled policy of the Mother Country. I have no fear myself that any serious infraction of Free Trade policy is probable : but, at whatever risks, the issues before the country must be faced."

The fiscal questions incidentally raised have an importance which is not to be disparaged. They shall be discussed later. But here the error shall not be repeated of beginning the discussion by turning the question inside out.

THE IMPERIAL IDEA

What is Imperialism ? A sufficient definition is implied in the famous term, popularised thirty years ago, of Greater Britain. "Who ever thought of inquiring," says Sir John Seeley, the foremost apostle of Imperialism, "whether Cornwall or Kent were worth keeping ? If Greater Britain, in the full sense of the phrase, really existed, Canada and Australia would be to us as Kent and Cornwall." The Imperialist is one who regards the Colonies not as external "possessions" of the British Crown, but as being, actually or potentially, integral parts of the nation-state.

FISCAL UNION THE NECESSARY CONDITION OF FEDERATION

If Greater Britain really existed ! What is wanted to make the full sense of the phrase a reality is Imperial Federation.

Within the past half-century we have seen the federal principle defended successfully against revolt in the United States, and the greatness of that nation thereby secured : and the people of Germany welded into a nation by federation. The essential condition of these acts of unification is fiscal union. "In all cases of federation," says Mr. Armitage Smith, an opponent of Preferential Tariffs, "projected or accomplished, the advantages to be gained

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from the extension of the area of trading have been prominent among the benefits either anticipated or claimed to have accrued from the Union."

The force that brought Scotland to consent to the Union, in despite of a jealous and sensitive national feeling, was the sense of the advantages of fiscal and commercial union. Pitt's famous Irish policy of 1785 was an attempt to secure "that Ireland should be admitted to a permanent and irrevocable participation of the commercial advantages of this country" on condition of contributing "to defray the expense of defending the general commerce of the Empire in time of peace." Lord Rosebery ("Pitt," p. 73) is enthusiastic in admiring this "ingenious, fruitful, and statesmanlike policy," and regrets that it was thwarted by one of his predecessors in the leadership of the Liberal party, Charles James Fox.

The term Imperial Federation has now been in the mouths of politicians for fully thirty years. No orator has adorned his speeches with this attractive phrase to greater advantage than Lord Rosebery. Is the adornment of perorations the first and last use to which it is to be put? Is it never to be translated into fact? John Bright, as we remember, would have nothing to do with it: in the last speech that he delivered in Birmingham (March 29, 1888) he called it "a dream and an absurdity." Why? Because of the difficulties of the Tariff question, which, as he saw from the first, was inevitably involved.

Fifteen years ago, then, Mr. Bright perceived clearly that it was impossible to touch Federation without touching the tariffs. We may fairly ask the Liberal Imperialists this question: "If you do not mean fiscal and commercial reciprocity by Imperial Federation, what do you mean? Where will you find, in history or in philosophy, in the five continents or in Utopia, any such thing as federation without reciprocity?"

Let it, then, be laid down at the outset that unless we are prepared to agree to a commercial union with the Colonies, at the cost, if so be, of some economic sacrifice, we may abandon the project of federating and consolidating

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the Empire. Whether any economic sacrifice is really entailed by Mr. Chamberlain's policy, shall be fairly discussed in future chapters.

AN IRREVOCABLE OPPORTUNITY

It is universally admitted that the Colonial administration of the past eight years has resulted in a great development of mutual interest and goodwill between the people of the Mother Country and the self-governing Colonies. Every Englishman is conscious of this for himself: and that this growth of Imperial sentiment is shared by the Canadians, the Australians, and New Zealanders, and the South Africans of English blood, is proved by evidence too abundant and familiar to need special mention. It is also well known that the relations between the Colonial Governments and Downing Street have become more cordial and friendly, and have been delivered from a sort of mistrust that had threatened to become inveterate.

Thus the necessary basis for Federation, the basis of sentiment and goodwill, has been laid and strengthened. The time is ripe for beginning the superstructure. When the fulness of time has been reached, procrastination is perilous. When the end of Mr. Chamberlain's tenure of the office of Colonial Secretary comes, Colonial opinion, at any rate, will regard the change as marking the closure of a period of opportunity. We are warned that the lessening army of the Little Englanders is to be enlarged by a regiment of unteachable economists, that their arguments are to be reinforced by economic pedantries, and that Mr. Chamberlain's policy will inevitably be defeated by this inauspicious combination. The result of the labours of eight eventful years is to be demolished at the very moment of maturity. The verdict which the nation has pronounced on these labours is to be suddenly reversed. If that be so, a golden occasion will have been irretrievably lost. The Colonists will have been informed that all the eloquence that has been spent on the blessed word Federation is mere idle talk, and that once more the Mother Country does not mean business.

II

THE COLONIAL PREMIERS' CONFERENCE AND THE CANADIAN EXPERIMENT

WHEN the Colonial Premiers met for their historic conference in London in July of last year, a great project was submitted to their deliberations—a federation based on the ideal of Free Trade within the Empire.

“Our first object,” said Mr. Chamberlain, “is Free Trade within the Empire. We feel confident that if such a result were feasible, it would enormously increase our inter-imperial trade: that it would hasten the development of our Colonies: that it would fill up the spare places in your lands with an active, intelligent, and, above all, a British population: that it would make the Mother Country entirely independent of foreigners in the matter of food and raw material.”

One may ask, in passing, why the protest of those whom the *Spectator* calls Free-Trade Unionists—meaning apparently Unionists who will not help union with the Colonies, and Free Traders who intend to obstruct any approach to Free Trade within the Empire—was not made then? Surely the conference was meant for practical deliberation, not for mere debate. Surely violence would have been done to the dignity of the occasion if, at the end of the discussion, the representative of the Metropolitan Government had thanked the assembled Premiers for the eloquence with which they had treated a speculative subject—congratulated himself on having provided them with an agreeable means of killing

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time—but informed them that any practical issue of their counsels was quite out of the question, and had never been intended.

THE COLONIAL RESOLUTIONS

It is necessary to reprint here the text of the resolutions passed unanimously by the Premiers, for they are a document of the first importance for this discussion. The question at issue is nothing more nor less than this question: How shall the Mother Country answer the resolutions? Content, or not content? Yes, or no? It is admitted that the decision is not one to be made hastily or without deliberation; but it is not less evident that it will not bear indefinite procrastination. The conference resolved—

(1) That this Conference recognises that the principle of Preferential Trading between the United Kingdom and his Majesty's dominions beyond the seas would stimulate and facilitate mutual commercial intercourse, and would, by promoting the development of the resources and industries of the several parts, strengthen the Empire.

(2) That this Conference recognises that, in the present circumstances of the Colonies, it is not practicable to adopt a general system of Free Trade as between the Mother Country and the British dominions beyond the seas.

(3) That with a view, however, to promoting the increase of trade within the Empire, it is desirable that those Colonies which have not already adopted such a policy should, as far as their circumstances admit, give substantial preferential treatment to the products and manufactures of the United Kingdom.

(4) That the Prime Ministers of the Colonies respectfully urge on his Majesty's Government the expediency of granting in the United Kingdom preferential treatment to the products and manufactures of the Colonies either by exemption from or reduction of duties now or hereafter imposed.

(5) That the Prime Ministers present at the Conference undertake to submit to their respective Governments at the earliest opportunity the principle of the resolution, and to request them to take such measures as may be necessary to give effect to it.

The Colonial Premiers' Conference

AN APPROACH TO FREE TRADE

The issue of the discussion was an agreement that Free Trade within the Empire was at present impossible. That is to say, the ideal purpose cannot be attained at a single stroke. No one can be surprised at this result. The objection which recent Free-Trade economists have taken to Mill's concession that Protection is permissible in young communities with new industries to foster is derived from the difficulty of withdrawing Protection from industries in which capital has been engaged, and skilled labour trained, on the faith of Protection. This difficulty can be overcome only by degrees.

But if we cannot have Free Trade within the Empire all at once, that is no reason why we should not make the first advance towards this great purpose. The system of Preferential Tariffs proposed by Mr. Chamberlain and the Colonial Premiers is the initial step towards Imperial Free Trade: it is a necessary step—a step which must be taken sooner or later if we are ever to move towards the goal. Let Free Traders notice that, in any case, the result must be a large net gain to Free Trade. Perhaps the reason why they do not recognise this is that they are still in the habit of regarding the Kingdom alone and neglecting the Empire.

WHAT COBDEN MEANT BY FREE TRADE

When the name of Cobden is invoked, let it never be forgotten that the Free Trade that Cobden desired was universal reciprocal Free Trade. Nay, more, he not only aimed at that, but actually believed that he was on the very eve of obtaining it as the result of the labours of his party. When he spoke at Manchester in January of the year in which the Corn Law was repealed, he said:

“Europe altogether has been corrupted by the vicious example of England in her commercial legislation. I believe that if you abolish the Corn Law honestly, and adopt Free Trade in its simplicity, there will not be a tariff

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in Europe that will not be changed in less than five years to follow your example."

It is now universally recognised that Cobden's ideal is impossible. We have waited, not five years, but fifty, and there are no signs of the advent of universal Free Trade. On the contrary, the recent experience of Germany and the United States has not been such as to suggest to the statesmen of those countries that they would do well to "follow our example," but the very reverse.

What is not yet past hoping for is Free Trade within the British Empire. Why are Free Traders so reluctant to join with Mr. Chamberlain in his effort to make the best of this hope?

THE CANADIAN EXPERIMENT

In 1897 Canada gave a preference of 33 per cent. all round to British dutiable goods. The result of this experiment is shown in the following table:

Exports to the North American Colonies

1875	.	.	.	.	9,682,000
1880	.	.	.	.	8,516,000
1885	.	.	.	.	8,375,000
1890	.	.	.	.	8,272,000
1895	.	.	.	.	6,595,000
1900	.	.	.	.	9,659,000

A gradual fall before the preferential tariff, followed by a sudden rise after the preferential tariff.

It is necessary to repeat in brief the subsequent history of this experiment, because it forms a substantial part of Mr. Chamberlain's case. Since the conference, all the Colonial Governments—Australia, New Zealand, the Cape, Natal, and, more recently, the new South African Governments—have indicated their willingness to follow the Canadian example; and Canada is considering large extensions of the preference. But the German Government has threatened to punish Canada by putting special duties on Canadian exports to Germany; and this menace is likely to have a deterrent effect both on Canada and on the other Colonies.

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In such an emergency the remonstrances of the British Imperial Government are unavailing, because they have no force behind them. There are two things which, assuming that it is worth the while of Great Britain to encourage the Colonial trade with herself, were next to be done :

(1) To compensate Canada for the threatened disadvantage in the German market by giving her an advantage in the British market ; or

(2) To deter Germany from hostile action by the threat of curtailment of her market rights, hitherto free and unrestricted, in this country.

But so long as we maintain the inflexible rigidity of our present system, neither of these methods is open to us : we are helpless and defenceless : we have denuded ourselves of our weapons, and can only offer our backs to the smiter.

Here is a posture of affairs in which the example and maxims of Peel and Cobden can afford no guidance. They were never called upon to deal with such a situation ; we are.

LESSONS IN RECIPROCITY

There is another incident of Canadian history that will be recalled to mind at this crisis. In the year 1864 a commercial treaty between Canada and the United States was denounced by the latter. The United States have, of course, among themselves, a fiscal union or Zollverein, the advantages of which are constantly under the eyes of the Canadians. It is well known that the motive of withdrawal of reciprocity by the States was the desire to force Canada by commercial pressure to enter the political union for the sake of the commercial union.

Canada is a country whose population is growing fast, and whose resources are being developed with almost unexampled rapidity. Canada is destined to be the home of many millions of the posterity of the present citizens of the United Kingdom. Her prosperity depends largely upon getting and retaining a good market for her surplus agricultural produce. Her present position, in respect of commercial politics, is this. By union with England, she

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gains no commercial advantage other than those which are freely given by us to friends and rivals, kindred and aliens, alike. By joining the United States, Canada could win the commercial advantages which the great Federation secures to the States of the Union.

The strong Imperial sentiment of the Canadians has hitherto stood the stress of this temptation. But, if by refusing reciprocity and support to the Canadian overtures we show ourselves ostentatiously indifferent to racial and Imperial ties, if we declare that commercial relations are to count for nothing in our scheme of empire, what is the result to be expected? In all the Colonies a party will arise whose cry will be: "If the Mother Country refuses us reciprocity, let us seek reciprocity elsewhere." We have the testimony of Mr. Seddon that this cry is already being raised in New Zealand. An empire whose constituent members have established with outside States commercial relations refused to them by the Mother Country, is an empire that has sown the seeds of disunion.

This is a problem which could not be simply ignored by any statesman entrusted with the care of the Colonies. Mr. Chamberlain has proposed his solution. We are still waiting to hear the solution of Mr. Chamberlain's critics.

MR. CHAMBERLAIN'S SPEECH AND ITS RECEPTION

THE commotion that followed immediately upon the famous speech made by Mr. Chamberlain in the Birmingham Town Hall on May 15 is largely to be accounted for by the circumstance that its delivery coincided with an outburst of indignation at the repeal, after one year's trial, of the registration duty on corn—an accidental coincidence, for the date of the speech had been fixed long before the introduction of Mr. Ritchie's first Budget. There had been an expectation, both here and in Canada, that an experiment—easy, instructive and, even if it failed, inexpensive—in the way of preferential trading might be made by the remission of this duty in favour of Colonial corn only. The failure of this expectation was interpreted as indicating either that Mr. Chamberlain had modified his well-known views, or that those views were not shared by his colleagues; and this fear gave an accidental importance to his emphatic re-assertion of his opinion.

NOT A NEW POLICY

Yet it cannot be admitted that the consternation, whether sincere or affected, with which the speech was received by the adherents of the policy of free imports was altogether reasonable. Men began to speak of "Mr. Chamberlain's new policy." Exactly a year earlier, speaking in the same place, Mr. Chamberlain, after ridiculing the horror which Sir Henry Campbell-Bannerman had expressed of "preferential relations with our Colonies abroad," had said:

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"The old ideas of trade, of free competition, are changed. We are face to face with great combinations and enormous trusts, having behind them gigantic wealth. Even the industries and the commerce which we thought to be peculiarly our own are in danger. It is quite impossible that these new methods of competition can be met by a strict adherence to old and antiquated methods, which were perfectly right at the time at which they were developed. At the present moment the Empire is being attacked on all sides, and in our isolation we must look to ourselves. We must draw closer our internal relations, ties of sentiment, ties of sympathy—yes, and ties of interest. If, by adherence to economic pedantry, to old shibboleths, we are to lose the opportunities of closer union which are offered us by our Colonies, if we are to put aside occasions which are now within our grasp, if we do not take every chance in our power to keep British trade in British hands, I am certain that we shall deserve the disaster which will infallibly come upon us."

Surely no student of politics ought to pretend that he was taken by surprise by the more elaborate treatment in May 1903 of a theme so clearly announced in May 1902. But even in 1902 this was no longer a "new policy." If space permitted, it would be easy to show by numerous citations that Mr. Chamberlain had, for six or seven years past, taken every favourable opportunity of making his countrymen familiar with the idea of preferential trading as an indispensable condition of Imperial Federation. How long ago is it since the term "Imperial Zollverein" was first associated in the minds of men with Mr. Chamberlain's Colonial policy? In the *Memoirs of Lord Playfair* it is recorded that in his last speech, at the Jubilee Dinner of the Cobden Club, he said: "The demand that England should renounce the freedom of her trade in order to differentiate in favour of the Colonies requires criticism, because it has received a sort of conditional support from a responsible Minister of the Crown." That was in 1896—seven years ago—only one year after Mr. Chamberlain took office as Colonial Secretary.

Chamberlain's Speech and its Reception

The speech therefore told us nothing new in regard to the speaker's opinions on this policy. What was new was, first, the appeal to recent events which had both strengthened the case for the policy and given it the claim of urgency, and secondly, the intimation that it might be necessary to take the opinion of the country thereupon at the next general election.

Abundant evidence is forthcoming, if need be, to show that what is called the new policy has been debated for many years.* The late Mr. Sampson Lloyd, of Birmingham, proposed "in his letters published in 1882 to impose a differential tax on all foreign products in favour of all the Colonies, with the threat that if any one of them will not reduce their duties on our goods, we will withdraw the privilege from that Colony and tax their products as foreign." This description of Mr. Lloyd's project is quoted from Lord Farrer's "Free Trade and Fair Trade" (2nd edition, 1885), a work which contains an elaborate criticism in the most hostile sense of preferential tariffs. It also contains an attack all along the line of Imperialism. On that question public opinion has decisively given its verdict against Lord Farrer. But he, like Mr. Bright, and unlike some of the Liberal Imperialists, saw that the Imperialist idea inevitably entailed fiscal reciprocity.

THE POLICY ALREADY ADOPTED BY THE CONSERVATIVE PARTY

Twelve years ago the National Union of Conservative Associations met in Birmingham. A resolution was submitted in favour of the principle of "the extension of commerce upon a preferential basis throughout all parts of the British Empire," calling upon the Government to provide for this policy by denouncing certain treaties by which it would have been obstructed, and "expressing the earnest expectation that her Majesty's Government will see their way clear before the next electoral campaign to make some

* Mr. W. Farrer Ecroyd foreshadowed the policy, and clearly defined its purposes, in a pamphlet published in 1879.

Chamberlain's Speech and its Reception

decisive declaration of their intention to promote mutually favouring customs arrangements between the Colonies and the Mother Country." This resolution was carried almost unanimously by the authorised representatives of the Conservative Associations of the United Kingdom. The Government—that is, Lord Salisbury's Conservative Government, of which Mr. Chamberlain was not a member—at once took the necessary preliminary step towards the new policy by denouncing the treaties. A similar resolution had been adopted by the same body as early as 1887. Last year the Union repeated its declaration, with only one dissentient voice.

Here, perhaps, an inoffensive personal remark may be permitted. In 1887 and in 1891, Lord Goschen, Sir Michael Hicks-Beach and Mr. Ritchie were leading members of the Conservative party. They continued to enjoy, without protest or explanation, the support of the Conservative Associations after the party had been committed by these resolutions to the policy now known as Mr. Chamberlain's policy. When, later than 1891, Lord Hugh Cecil and Mr. Churchill joined the Conservative party in the House of Commons, they did so with the knowledge of this decisive evidence of the trend of popular opinion within that party. It is odd that a Liberal Unionist statesman should be blamed by Conservatives for saying to-day exactly what was said by the authoritative organ of popular Conservatism twelve or sixteen years ago.

GERMAN OPINION

As soon as the speech was telegraphed abroad, its success was attested by two equally convincing testimonials—its favourable reception in the Colonies, and its unfavourable reception in Germany. The German merchants and manufacturers had trustfully awaited the end of the war and the settlement of South Africa, resting in the agreeable hope that once again, when a market had been opened by the enterprise of British statesmen and the valour of British soldiers, and at a heavy cost to British taxpayers, they

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would peacefully enter in and grasp the lion's share of advantages purchased by the blood and treasure of their rivals. They could not conceal their chagrin at a speech that threw a shadow over this bright vision. If their anger was unreasonable—for the advantages which the speech threatened to withhold from the Germans are such as they are the very last people to think of bestowing on us or any one^{net} else—it was also natural, for it was justified by long experience of British aptitude for turning the other cheek.

COLONIAL OPINION

It was impossible to conceal that Canadian opinion was favourable. For some days an attempt was made to represent Australian opinion as unfavourable, and the extracts from Australian journals that were telegraphed to this country appear to have been chosen with some care and skill. This effort was checked by the editor of the *British Australasian*, who obtained from Mr. Deakin the assurance that the Federal Government, and all the Federated Governments, were well disposed to Mr. Chamberlain's policy, and were confident of the support of the great majority of the Australian public.

THE RECEPTION OF THE SPEECH AT HOME

But how was the speech received in England and Scotland? There has been no want of enthusiasm on the part of those who had realised that the fault of our commercial policy has been that it has been no policy at all—very much as, in the opinion of some critics, we had, not a good or a bad foreign policy, but no foreign policy, in the interval between Palmerston and Disraeli. To continue this comparison, the exhilarating effect of the speech on such minds, as vividly described by Sir Herbert Maxwell in the *June Nineteenth Century*, might remind us of the animation that greeted the purchase of the Suez Canal shares. As a matter of course, the Little Englanders were loud in dispraise, and exulted to find that the Imperialism they hate was to be associated with a fiscal heresy.

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These things were to be expected. But it is not to be denied that among persons not prejudiced either against Imperialism or against the Colonial Secretary, there has been some open hostility and not a little bewilderment. There are always disciples who have not apprehended the fulness of the doctrine—Pliable, for instance, and Feeble-mind. The Imperialism with which these persons had fallen in love was, it would appear, to them a veiled goddess; and when the veil was removed they found her ill-favoured. The friends of the policy may have reason to be disappointed at its mixed reception: but they need not be dismayed. The hesitation was inevitable. English political opinion has a way of running in grooves. When politicians are called upon to look at a question from an unfamiliar point of view, a certain amount of fumbling is necessary to get their glasses into focus. For example, it is impossible to conceive a stronger or more complete case for any political proposal than the case of the Anti-Corn Law League for the repeal of the Corn Laws of Wellington and Peel; nor has any case ever been more effectively laid before the country. Yet for years it was resisted by Liberal and Conservative politicians alike; and the process of conversion would probably have been still longer if the working classes had at that time possessed the franchise. The force that carried the repeal of the Corn Laws gathered itself outside political parties and associations. The force that will carry through the policy of Preferential Tariffs is gathering itself in quarters of which many politicians take little heed.

IRRELEVANT CRITICISMS

The criticisms to which the policy has been exposed shall be faithfully dealt with in some detail later. There are, however, two general remarks that it may be worth while to make at the outset. In the first place, Mr. Chamberlain, as we have seen, declared that a new position had been created—that we are called upon to adjust our policy to circumstances which our fathers and grandfathers never encountered—and informed us how he proposed to deal with that

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new position. Now there are evidently two lines of reasoning open to the critic of such a deliverance. He might essay to disprove the existence of the alleged fact—the “new position.” Or, admitting the new position, he might address himself to a course of reasoning tending to prove that Mr. Chamberlain's way of dealing therewith is not the best way. But any argument that ignores the very basis of the contention must be irrelevant. If a man alleges that he is obliged to go to London, and that he proposes to travel by railway, any one who wishes to dissuade him from that course may either try to demonstrate that he need not go to London at all, or prove that some other method of travelling thither is possible and more advantageous. A mere disquisition on the perils and discomforts of railway travelling is not to the point. So long as the “new position” is neither admitted nor disproved the disputant is beating the air. Yet that is what nine out of ten of Mr. Chamberlain's antagonists have done.

It ought to be equally apparent that it is quite useless to set up familiar economic commonplaces against the policy. Many well-meaning writers have taken down from the shelf where they keep their old school-books some treatise on political economy for beginners, and propose to slay the Philistine with a smooth stone chosen from that little brook. How *can* this sort of thing be relevant? Do these writers really suppose that Mr. Balfour and Mr. Chamberlain stand in need of this elementary information—Mr. Balfour, who in his green youth took honours in political economy at Cambridge; Mr. Chamberlain, whose early speeches have been part of the literature of the Cobden Club for a quarter of a century? If difficult political problems could be solved by the application of simple little copy-book maxims, the art of government would be much easier than it is found to be by its practitioners

IV

SOME ECONOMICAL FALLACIES

IN putting the economical questions raised by Mr. Chamberlain's proposals into the second place, we have followed a natural, not a distorted, course of argument. There are some readers to whom it may appear that an improper disparagement of economics is implied if economic theory is postponed to any other consideration whatever. It may, however, be permitted, without in any way denying either that there is a reasoned science of material well-being or that it can be anything but important, to hint that its importance is often exaggerated by its jealous devotees. What is sometimes called the Cobden Club temper is well known: it is a supercilious and irritating temper. There is no orthodoxy now extant that is quite so intolerant as economic orthodoxy.

LIMITATIONS OF POLITICAL ECONOMY

Hence it seems necessary to call attention to an axiom that needs no proof. *Economical maxims and arguments can only settle economical problems.* But there are other things in politics besides political economy, just as there are other things in household management besides domestic economy. The law of the cheapest market has as high a sanction in political as in household economics, but no higher. Suppose that a village squire, having calculated that he might save £30 a year by having his provisions sent down from the Army and Navy Stores, nevertheless turns his back on the cheapest market and continues to deal with the village grocer. Shall we call him wicked or only foolish? Perhaps

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neither : he might justify his conduct by so many reasons of prudence and neighbourliness.

The Free Trade doctrine in its absolute form, be it remembered, is not an isolated doctrine, but a special case of the more general doctrine of *laissez-faire*. Now it will not be denied that we have now something like a universal assent to some very large violations of *laissez-faire*—Factory Acts and Truck Acts, for instance, combinations to maintain a standard of wages, national provision for education, and so forth. A trade unionist who calls himself a Free Trader deceives himself ; he must admit at least one exception to the law of the cheapest market. The blessings of unrestricted competition are suspect, and the base of the old Free Trade doctrine is shaken.

In the course of this controversy several disputants have gone so far as to speak of political economy as an exact science. Of course, they are not using the term “exact science” in its exact sense : what they mean is that it is a science capable of establishing generalisations that are universally true. Hence they decline to admit any alleged facts that contradict these generalisations, by whatever evidence those facts may be attested, just as we should decline to believe a traveller who told us that he had found on the top of Chimborazo a plane triangle the sum of whose angles was less than two right angles. These writers appear to have been misled partly by that confidence of assertion which characterised the Utilitarians, partly by insufficient reading. If they had kept up their study of the science of which they have such a high opinion, they would have been aware that a more careful and scientific method has introduced numerous qualifications of the crude maxims that supplied the Manchester politicians with the backbone of their argumentation, and that a great part of modern economic treatises is occupied with corrections of the positions of Ricardo and Mill.

DO IMPORT DUTIES FALL ON THE CONSUMER ?

Among these exploded generalisations is one which is still repeated with the utmost confidence, and supplies the

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stamina of the economic argument against Mr. Chamberlain. It is that import duties are always paid in full by the consumer at home, and never, either in full or in part, by the producer abroad. In other words, according to the theory, the effect of an import duty is to raise the price of the article that becomes dutiable by the full amount of the duty. If the theory is true it, of course, follows that we cannot entertain the expectation of the Protectionists that by import duties we may "tax the foreigner," making him pay toll for the privilege of access to our market, and so relieve the taxpayer at home.

The cogency of the argument that supports the extreme and uncompromising doctrine of Free Trade depends upon the truth of this proposition.

But it is not true. An appeal always lies from *à priori* theory to experience. Again and again, when some foreign country has raised its tariff, British producers or exporters have found themselves obliged to reduce prices in order to keep the market. Quite recently the theory has been subjected to two crucial experimental tests, and by those tests has been disproved. The price of sugar was not raised to the consumer by the recent increase of the sugar duty; neither was it raised to the retailer, except for the short time during which the market was accommodating itself to the new conditions. The manager of a coffee-house company estimated, calculating forward, that, if it was true that the company would pay all the duty on their consumption of sugar, their expenses would be raised by £500 in the year. At the end of the year, calculating backward, he ascertained that the increase of duty had cost the company £150, and that this loss had accrued in the early part of the year when the duty was new. The balance of £350 was paid, contrary to the theory, by the foreign exporter. The price of bread was not raised by the registration duty on corn; nor, indeed, had the price been lowered when the old registration duty was taken off by Mr. Lowe in 1869. When the duty was re-imposed last year, the American railway companies reduced the railway rates for corn in order to help the producer of corn to bear the new expense.

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Why should they have made this sacrifice if, as the theory requires, the duty was bound to be paid in full by the British purchasers of corn ?

Abundant evidence in contradiction of the theory is supplied by the actual experience of enlarged tariffs in the United States. A tax of two dollars a ton was put on Canadian hay. It was, of course, found that at the frontier the price was two dollars higher on the American side ; but it was proved that this had been caused by a fall in the Canadian price, not by a rise in the American price. It was proved that "the duty of five cents per dozen imposed upon eggs was paid by the foreign producer, not by the consumer"; that the foreign producers had "dropped the valuation on most farm products just about the amount of the duty imposed by the McKinley Bill"; and that "they had to take 30 per cent. less for their horses" (Prof. F. Y. Edgeworth, in the *Economic Journal*, vol. iv. p. 45).

The theory so confidently announced, and even claimed to be an axiom, by Lord Farrer, Lord Avebury, Mr. Mon-gredien, Mr. Sidney Buxton, and other pamphleteers of the Cobden Club,* has, indeed, been abandoned by the most learned of recent economists. "It is obvious," says Professor Seligman, "that cases may arise where it is not true that 'the tariff is a tax' in the sense that the whole burden of an import duty is necessarily borne by the consumer" ("Incidence of Taxation," 2nd edition, p. 303). "Unless foreign products are completely excluded by import duties," says Professor Henry Sidgwick, "such duties will partly have the effect of levying a tribute on foreign producers the amount and duration of which may in certain cases be considerable" ("Principles of Political Economy," p. 493).

Here is a case put as an example by Professor Sidgwick (p. 491): "Suppose that a 5 per cent. duty is imposed on foreign silks, and that in consequence, after a certain interval, half the silks consumed are the product of native industry, and that the price of the whole has risen $2\frac{1}{2}$ per cent. It is obvious that, under these circumstances, the other half which comes from abroad yields the State 5 per

* But not by Cobden himself, nor by J. S. Mill.

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cent., while the tax levied from the consumers on the whole is only $2\frac{1}{2}$ per cent. : so that the nation in the aggregate is at this time losing nothing by Protection except the cost of collecting the tax, while a loss equivalent to the whole tax falls on the foreign producers."

When a theory has been so decisively contradicted by fact and experience, and abandoned after careful investigation by eminent authorities, it is hardly worth while, even if limits of space permitted, to search for flaws in the deductive reasoning by which it has been supported. Merely as a hint to inquirers, it may be suggested that the fallacy lies partly in the assumption that all prices are competitive prices—except, of course, in the case of absolute monopolies. In that case it will be generally admitted that the monopolist, having already forced up the price to the point at which it cannot be further increased without a loss from failure of demand greater than the gain by enlargement of profit, will pay a new import duty himself. But, so far from the general run of prices being merely competitive, and so approximating to the bare cost of production, Mr. J. A. Hobson is able to support with much force such an extreme view as that "competition is fettered and impeded everywhere by the growth of innumerable forms and degrees of monopolies and forced gains" ("The Economics of Distribution," p. 360). For example, even if the price of wheat in Dakota and Manitoba is a price cut down by the severe competition of producers for customers, the railway rates to New York are not competitive prices, for it is not open to any one who chooses to start a new railway between any two given places. This may explain why the railway companies were constrained to pay part of a tax levied by the British Government.

By taking such qualifications into account, the theory might, if it were worth while, be put into a form in which it would not be contradicted by observed facts. The teaching of experience is that, in general, small duties are paid by the foreign producer, large duties are paid partly by the foreign producer, partly—if they are very large, mostly—by the home consumer; but in what proportion

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the duty divides itself depends on varying conditions of competition in the trades affected.

Take the case contemplated in Mr. Chamberlain's proposals. It is proposed to put a small duty, say 2s., on foreign wheat, but to exempt colonial and home-grown wheat. Admit that the duty in itself tends to raise the price of wheat. The tendency has exhausted itself as soon as the price is raised by 2s.: that is, theoretically, the maximum effect. The common assumption is that the effect will always be a maximum. But is there no counteracting tendency? There remains the competition between the Colonies and foreign countries for our market. When a trader obtains an economical advantage over his competitor, the competitor must be content with a smaller profit: it is a thing that is happening every day. Further, the tax actually creates a counteracting tendency. It stimulates British and Colonial farming: this leads to increased production: and by increased production prices are lowered.

ARE IMPORTS PAID FOR BY EXPORTS?

The important question of duties on corn and food-stuffs will be particularly considered in the next article. In the meantime let us clear away another fallacy of the opposition. It is an example of what logicians call the fallacy of accident. It lies in an illicit extension of the well-known proposition that "Imports are paid for by exports." This maxim has suggested to enthusiasts the absurd rule: "Take care of your imports, and your exports will take care of themselves"—a rule that would not be unfairly parodied if one said to a tradesman: "Spend your money recklessly, and your business will grow." Of course, the proposition is true only with qualifications: that is to say, the purchasing power of a nation may be made up of other things besides exports, such as interest on money invested abroad, and the profits of the carrying trade. But the fallacy to be noticed here does not lie in the careless omission of this qualification. It lies in substituting for the (partly) true proposition, "Imports are paid for by exports," the

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proposition, "Imports from, say, Germany, are paid for by exports to Germany." Now this proposition is unproved and is not generally true.

The proposition which is (more or less) true is proved in two ways—(1) by observing that the transference of coin and bullion from one country to another is inconsiderable in proportion to the volume of trade; and (2) by observing that the exports and imports of a country, each taken as a whole, commonly rise or fall together. The proposition which is untrue—and indeed absurd, for who really believes that when he elects to buy a Swiss instead of an English watch, a telepathic impulse is conveyed to some Switzer compelling him to rush out and buy something English?—will not stand the statistical test. The tables swarm with contrary instances. For instance:

	1885.	1890.
Imports from Austria .	£2,157,000	£1,728,000
Exports to Austria .	£1,120,000	£1,694,000

Here a decrease in imports coincides with an increase in exports.

	1870.	1875.
Imports from U.S.A. .	£49,805,000	£69,590,000
Exports to U.S.A. .	£31,306,000	£25,062,000

Here an increase in imports coincides with a decrease in exports.

Therefore it is not true that by encouraging the importation of goods from, say, Germany, we are necessarily encouraging also the exportation of goods into Germany.

Another example is added, because it suggests a very striking observation of great importance to the present question.

Imports from Foreign Countries

1900 . . .	£414,000,000
1901 . . .	£416,000,000
1902 . . .	£422,000,000

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Exports to Foreign Countries (a) including, (b) excluding Foreign and Colonial Products

		(a)	(b)
1900	£ . . .	£252,000,000	£197,000,000
1901	. . .	£235,000,000	£175,000,000
1902	. . .	£232,000,000	£174,000,000

Observe that, during the last three years, imports have been rising, and exports simultaneously falling. Now compare the corresponding statistics for British Possessions :

Imports from British Possessions

1900	. . . . .	£110,000,000
1901	. . . . .	£106,000,000
1902	. . . . .	£107,000,000

Exports to British Possessions

		(a)	(b)
1900	. . . . .	£102,000,000	£94,000,000
1901	. . . . .	£113,000,000	£105,000,000
1902	. . . . .	£118,000,000	£109,000,000

Here we find exports rising in spite of a slight fall in imports.

Colonies buy more from us every year ; but the more we buy of foreign countries, the less they are buying of us. To encourage Colonial trade is to encourage our export trade ; but this is not true of foreign trade.

V

TAXES ON FOOD

(I) WHAT THEY WILL COST US

"There is no man, however poor, who need fear, under the system that I propose, that, without his goodwill, the cost of living will be increased a single farthing."—MR. CHAMBERLAIN, June 26, 1903.

INASMUCH as the greater part of Colonial exports to the United Kingdom consists of articles of food and the raw materials of manufactures, and as it is agreed that in general the taxation of raw materials is economically disadvantageous, the policy of Preferential Tariffs involves the imposition of a small duty on some classes of food imports from foreign countries—of wheat certainly, and not improbably of meat also.

This part of the scheme has been violently attacked. By grotesque exaggeration of the effect of the duty on prices—by denying or ignoring the economic advantages by which the economic disadvantages entailed by an import duty will be, in part at least, counterbalanced—by leaving out of account altogether the commercial and Imperial benefits which it is proposed to purchase by this economic sacrifice, if any be involved—and especially by the unscrupulous suggestion that it is intended to revert to the Corn Law from which the country was happily delivered in 1846—a repulsive caricature of the policy has been designed and held up to public reprobation.

For the purposes of a fair and reasonable discussion, the question raised divides itself into two inquiries. First,

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what will be the cost of the proposed tariff on imported foods? Secondly, what are the advantages that are to be secured at this cost? A fair way of considering the former of these questions is to take the minimum duties that will be reasonably sufficient to ensure the advantages contemplated, and to estimate their maximum effect on the cost of living.

THE DUTY WILL NOT FALL WHOLLY ON THE CONSUMER

Reasons have already been given for discrediting the popular assumption, based on the reasonings of those who studied political economy in the infancy of that science, that an import duty increases the price of a dutiable article by the full amount of the duty. Two considerations remain to be added, of which the first is applicable to the case of import duties affecting part only of the external supply, and the second to agricultural produce: both therefore affect the case under contemplation.

(1) As low prices are reached by the competition of sellers, it is evident that when the foreign corn of which the cost price is increased by a small duty competes in our market not only with duty-free home-grown corn, but also with duty-free Colonial corn, the effect of the duty in raising the ultimate price must be less than when, as for example under the old Corn Law,* the taxed corn competes only with the unexcised home crop. It will be shown below that this Colonial competition is already far more considerable than it has been represented to be by many writers.

(2) In economical arguments an important difference between grain and other farming products on the one hand, and manufactured goods on the other, is often neglected. The manufacturer can adjust his supply, with any required degree of accuracy, to the demand: the corn producer cannot do so. A manufacturer who makes, let us say, spades, and who calculates that he can profitably sell

* Yet the price of wheat was not raised above natural price, under the old Corn Law, by anything like the full amount of the duty. See note on p. 42.

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10,000 spades in a year, can arrange to produce exactly 10,000. There is no natural force that can compel him to stop when he has made 9999 or to go on till he has made 10,001. No farmer can predetermine that he will produce 10,000 bushels of wheat, neither more nor less. If the amount of which he expects to dispose in easily accessible markets is 10,000 bushels, he will plough and sow an acreage of land which will yield more than 10,000 bushels if the harvest is good. The surplus he must sell for what it will fetch : it is there, and it is better to sell it at a loss than not at all. The American farmer must be content to sell his surplus in England, even though the price fixed by Canadian competition be so low that the import duty he has to pay swallows up his profits. For the United Kingdom must still be his best market. The other large countries which are importers of wheat are France, Germany, and Italy ; and the annual importation of wheat in these countries taken together, on the average of five years ending July 31, 1902, was (according to the return published by Messrs. Robert Procter and Sons, of Liverpool) 13,625,000 quarters, against 22,375,000 imported by the United Kingdom alone.

There is one possible contingency that would produce conditions under which the seller could command his own price—a world-wide bad harvest resulting in an excess of the world's demand over the world's supply. This, however, is a far more improbable contingency now that exporting countries are so numerous and so widely scattered—for we import from Russia, Denmark, Holland, Belgium, Bulgaria, Roumania, Turkey in Europe, Turkey in Asia, the United States, Chile, Uruguay, Argentina, Bombay, Bengal, Australia, New Zealand, and Canada, as well as from other countries, such as Egypt, Cyprus, Persia, and Brazil, in years when their harvest yields a surplus—than it was when we depended on the surplus of a few countries only. Such a contingency, it may be added, would in any case imply a crisis in which exceptional measures must be taken by Government, and would be less probable in proportion as the world's supply of wheat is increased as it would

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be by the stimulus that it is proposed to offer to the Colonies.

These considerations, added to the more general considerations already discussed, justify the expectation that part, at least, of the duty will be paid by the foreign producer or exporter, or his surplus will remain on his hands. Even though he sells at a loss—why not? It is what hundreds of English farmers have done under the present system. In a later chapter the question of “dumping,” *i.e.*, selling abroad under cost price, will be considered, and the apparent paradox that, under present conditions, it may be profitable to a German or American to sell manufactured goods in this country at less than they cost to make, will be fully established. The proof will then be complete that Mr. Chamberlain’s policy is a policy which will at once prevent the foreigner from dumping his manufactures, and compel him to dump his surplus food-stuffs, in this happy country.

A SIMPLE TEST CASE

To make the effect of this law clear, let us take a simple case. No stress is laid upon the figures—for which the reader is at liberty to substitute any that he thinks reasonable—but they will serve to illustrate the principle. Let us suppose that one half of the corn we eat is foreign, one-fourth Colonial, and one-fourth home-grown. The duty on foreign wheat we will put at 2s. a quarter of 480 lbs., and we will further suppose that the effect of the duty is to raise the price by one shilling a quarter. As the shilling duty last year did not raise the price at all, it cannot be said that this⁷ expectation is too sanguine. Four quarters of wheat furnish a year’s supply for a family of five or six persons. So far as the expenditure of this family is concerned, the Colonial farmer will benefit to the extent of 1s. The advantage provided by the duty for the British farmer will also be 1s. The breadwinner of the family loses 4s.—that is the amount he pays yearly in excess of what he paid under the system of free importation. But is there no compensation? The State has taken 4s.—the yield of a 2s. duty on the two

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quarters of foreign wheat. This money goes into the national purse, to which in any case the breadwinner in question must be a contributor. The State therefore can afford to reduce by 4s. the amount it takes out of his pocket under other heads of taxation, so that his loss and his gain exactly counterbalance one another—unless, indeed, as Mr. Chamberlain has suggested, he prefers to make the State his trustee, and allow his 4s. to be retained as his contribution to some system of State-aided thrift.

A duty of 2s. a quarter is equivalent to a duty *ad valorem* of 7 or 8 per cent. Any trader who obtains an advantage of such a percentage over his competitors is in a satisfactory position. It seems, then, reasonable to expect that a 2s. wheat duty would be sufficient to stimulate Canadian and other Colonial farming, and to recompense the food-exporting Colonies for very considerable concessions to British manufacturers in the way of Preferential Tariffs.

A WARNING AGAINST EXAGGERATION

Even, however, if any reader chooses to put the duty higher than this, and even if he insists on assigning the maximum effect on prices to the duty, let him still try to keep his head and retain control over his arithmetic when the cry of "taxing the people's bread" is raised, and the attempt made to revive the indignation with which, in totally different circumstances, Bright and Cobden righteously denounced a "famine made by law." The datum is an easy one to remember and apply. The consumption of wheat in this country is six bushels per head per annum. Assuming then, that the rise in the wholesale price is transferred by the wholesale dealer to the baker, and by the baker to the bread-buyer, the cost of a rise in price is ninepence a head in a year for each shilling of increase.

We shall shortly have occasion to exhibit the actual fluctuations of the wheat market during a long term of years. It is hardly necessary, however, to support statistically the statement that a 2s. duty, or any larger duty that is in the least degree probable if Mr. Chamberlain's scheme is adopted,

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is small in comparison with variations of price which frequently occur without making any difference in the cost of bread to the eater.

THE MAXIMUM EFFECT

Let it now be granted to opponents that the actual effect of a corn duty on prices will be its theoretically maximum effect—*i.e.*, that it will raise the price to the consumer by the full amount of the duty. The theoretically maximum effect is the effect which would be produced if there were no checks. In fact, there are, as we have seen, many checks; and it is no more likely that the maximum will be attained than that an engine will attain the maximum speed which, by calculation, it would attain if there were no such thing as friction. In addition to a 2s. duty on wheat, we will allow for a duty on foreign imported meat of 5 per cent. *ad valorem*, as being sufficient to give the required advantage to the Colonial stock-farmer. The importation of meat of all kinds, live and dead—fresh, salted, and canned—beef, mutton, pork, hams, bacon, and rabbits—amounted last year to rather more than £37,000,000. That is less than £1 a head, but, to avoid any possibility of an inadequate estimate, it shall be taken as £1 a head. The maximum effect of the new taxes on foods would be—

2s. duty on wheat : consumption six bushels a head	s. d. 1 6
5 per cent. duty on meat : consumption £1 a head	1 0
	— —
	2 6

It remains to compare the actual present taxation of some common articles of food—

		Consumption per head.		Duty per lb		Duty per head.
		lbs.		s. d.		s. d.
Tea . . .		6½	..	0 6	..	3 3
Coffee . . .		2½	..	0 1½	..	0 3¼
Chicory . . .		¼	..	0 2	..	0 0½
Cocoa . . .		1	..	0 1	..	0 1
Sugar . . .		80	..	0 0½	(less than)	2 6
						— —
						6 2¼

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The duty per head on unmanufactured tobacco is about 5s. 6d. This calculation shows that the existing taxation of articles of food which are not rich men's luxuries affords ample opportunity for remissions which will compensate housekeepers for the loss entailed by the proposed new duties, and so leave the family budget undisturbed. The margin is sufficient to cover other small duties that might conceivably be imposed on other food-stuffs, of which the consumption is, by comparison with that of wheat and meat, inconsiderable.

THE OLD CORN LAW

Nothing could be more preposterous than to appeal to the dismal experience of the old Corn Laws in order to excite hostility to Mr. Chamberlain's policy. Under the Corn Law of 1828 (Wellington's sliding-scale), the import duty on wheat, which rose and fell as prices fell and rose, was 36s. 8d. when the price was 50s. Even under the Corn Law of 1842 (Peel's reduced sliding-scale) the duty was as high as 20s. when the price was 50s. Under the sliding-scale system it would have risen higher if the natural price had fallen lower—and to-day 50s. is an exceptionally high price, not touched for many years, and now possible only if there should be an extraordinary failure of crops. The corn tax against which Cobden, Bright, and Villiers contended was therefore most exorbitant in amount. Further, it was unscientific and blundering in principle; the sliding-scale, intended to limit fluctuations of price, had in fact the opposite effect, for it lent itself to the manipulations of forestallers. Consequently the protected farmer was often ruined by oscillations of price, while the consumer was being plundered in his interest. No statesman could be mad enough to propose, and in no circumstances would the country be deluded enough to permit, any revival of the protective system that was cleared away by the triumph of the League, and the conversion of Russell and Peel, in 1846. To recall the miseries of sixty years since as an argument against the policy now under consideration is as silly as it was eighty years ago to

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appeal to "the fires of Smithfield" as an argument against Catholic claims. Mr. Chamberlain has as little intention to revive the old Corn Law as Mr. Canning had to repeat the Marian persecutions or abrogate the Act of Succession.

VI

TAXES ON FOOD

(2) WHAT THEY WILL DO FOR US

It has now been shown (1) that it is improbable that the cost of bread to the consumer will be materially increased by the contemplated duty on foreign wheat; and (2) that, even if the effect of the duty is to raise the price of bread, it may be accompanied by such a revision of taxation on those necessities, or poor man's luxuries, which are already dutiable, as will make it absolutely certain that the working classes will not pay a farthing more in their necessary household expenditure than they have paid before the change in the system of tariffs.

Before proceeding to the second branch of the question, some additional evidence on the effect of duties on food on the cost of living may be adduced. It is derived from French official returns. When the French Tariff was revised in 1892, the duty on wheat (2s. a cwt. or 8s. 7d. a quarter) was not increased; but the import duty on fresh beef was raised from 4s. 10d. to 10s. 1d. a cwt., and that on fresh mutton from 4s. 10d. to 12s. 11d. a cwt. So far from the cost of meat to consumers being raised by this considerable increase in the duties, the average price of beef fell from 7d. per lb. in 1891 to 6¾d. in 1892, and 6½d. in 1893, and that of mutton from 8¼d. per lb. in 1891 to 8d. in 1892, and 7½d. in 1893. Since 1893 there have been fluctuations: but in 1901, the latest year for which returns are forthcoming, the prices were still lower than before the tariff, viz., beef 6½d. and mutton 8d. The statistics of the Labour Office show that there has been a small but general rise in wages since the tariff.

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COMMERCIAL ADVANTAGES

(1) We have first to take into account the Imperial and commercial advantages to be secured by the system of preferential tariffs of which the duties in question are a necessary condition. The Imperial advantages have already been considered ; the commercial advantages will be exhibited later when we come to a comparison, in quantity and character, of our foreign and our Colonial trade.

STIMULUS TO COLONIAL AGRICULTURE

(2) The farming industry in the Colonies will be stimulated. To those who, having failed to grasp the conception of a Greater Britain, regard the Colonials as a sort of foreigners who happen to use the King's head on their postage stamps, this will not seem an object which is any concern of ours. Let them try to look at it in this way. Canada is on the very eve of becoming the greatest exporting country for agricultural produce in the world. The development of Canadian farming means profitable employment—for whom ? Not for the Canadians and their posterity only, but for the surplus agricultural population of our own country. They are emigrating to Canada at the rate of 17,000 a year. Is it not better that this emigration should be encouraged than that the children of our ruined agricultural industry should flock to the towns, overcrowd the slums, aggravate the cruel competition of unskilled labour, and accelerate the physical degeneration of the race ?

THE EMPIRE FEEDING ITSELF

(3) The advantage given in our markets—by far the largest markets in the world for imported food—to our own possessions will help to hasten the coming time when the Empire will be competent to feed itself. The Colonies are already large contributors to the importation of all the important classes of food—not only wheat and other cereals,

Taxes on Food

but butter, cheese, and eggs, fruit, and vegetables—everything, in short, except margarine and sardines.

During the present controversy many writers have represented that only a small proportion of our food-supplies comes from the Colonies : therefore, it is argued, even with the stimulus of preferential tariffs, many years will elapse before they can relieve us of our dependence upon foreign countries for the necessaries of life. The calculations of these writers are vitiated by an important error. In the Board of Trade returns importations of food are classified geographically according to the port of shipment, not according to the country of origin. Now, in consequence partly of the freezing of some Canadian ports in winter, partly of the competition of American with Canadian railways, a very large proportion of the food sent by Canada to this country passes through the United States, and is counted in the returns as foreign, not Colonial produce. For example, about 50 per cent. of the cattle sent to Liverpool or Birkenhead from Canada are shipped at ports of the United States. According to the returns, the States supplied us with nearly six times as much wheat last year as Canada. But we have the testimony of corn importers that a very large quantity of the wheat counted as an import from the United States was of Canadian origin. Some merchants go so far as to declare that the amount of Canadian wheat eaten in this country is now decidedly larger than the amount we receive from the United States ; but this estimate is hardly borne out by Canadian returns.

This consideration makes an accurate calculation difficult. The following estimate, based on a comparison of information derived from several sources, is offered as a rough approximation only, and is submitted to the correction of persons acquainted with the trade.

Taxes on Food

Origin of Wheat consumed in the United Kingdom

	Per cent.
Home crop	20
Canada	13
Other British Possessions	10
<hr/>	
Total grown under the British Flag	43
United States	45
South America	4
European and Mediterranean Countries	8
<hr/>	
Total of Foreign origin	57
<hr/>	
	100

That the cultivable area of the Empire is more than large enough to afford sustenance in the future for all the subjects of the Crown appears not to be disputed, and need not therefore be supported statistically. In this sense it is already true that the Empire is capable of self-sufficiency. The Kingdom cannot feed itself, but must go shopping. The Empire can feed itself. If Little Englanders do not realise the importance of this, it is because they think of themselves as citizens of the Kingdom only, and habitually regard the Colonies from outside.

This remark suggests another observation which may be inserted here, though it bears rather upon the general question of free imports. The theoretical argument in favour of absolute Free Trade rests upon the contention that it is more economical—that is, that more wealth is procured with less labour (for all economy is essentially economy of labour)—if a country is content to produce what it can produce more cheaply, *i.e.*, with less labour, and buys abroad whatever can be produced more cheaply abroad than at home. The argument therefore assumes that by every country there is something needed or desired for the production of which it is less favourably situated than some foreign country. The assumption is true for every country in the world: it is true for every civilised country that has ever existed. But, if we leave out of account the objects

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of a merely eccentric or luxurious desire, it is not necessarily true for an Empire that spreads through all habitable degrees of latitude. It is not true for the British Empire.

ENCOURAGEMENT OF BRITISH FARMING

(4) The tax will also have a tendency to encourage British agriculture, and bring derelict land back to cultivation. This is a very important consideration. The following statistics afford food for reflection. The acreage of land under corn crops in the United Kingdom was :

In 1881	.	.	.	.	10,654,697
In 1891	.	.	.	.	9,443,509
In 1901	.	.	.	.	8,476,842

The decrease here recorded implies (1) an absolute and uncompensated loss to the national wealth, and (2) a great loss of agricultural occupation, and a consequent aggravation of that desertion of the country which ranks high among the social evils, and is not the least of the economical evils, of the time.

The following table also has a dismal significance : Quantities are given in thousands of quarters ; the year is the wheat year, reckoned from August 1 to July 31 ; the percentage is that of the home crop to the total supply.

Wheat Supply of the United Kingdom

Year.	Home Crop.	Import.	Percentage.
1852-3	11,575	5,902	66.2
1862-3	13,957	9,205	60.3
1872-3	11,481	12,291	48.3
1882-3	10,145	19,982	33.7
1892-3	7,612	22,263	25.5
1901-2	6,740	23,940	22.0

It is objected that any protective duty which would be sufficient to restore the cultivation of wheat in this country must be high enough to raise the price of bread materially : and that, of course, would be a sacrifice which we could not

Taxes on Food

afford to make.* Without denying altogether the force of this objection, a few considerations tending to a more hopeful view may be submitted here, before leaving the question to be dealt with by agricultural experts.

In the first place, the often-cited experience of Italy appears to be well authenticated. In 1888 a small import duty was increased by the Italian Government, because their country had ceased to be self-supporting in respect of wheat. It is said that a very large acreage of land was brought back to corn, and the wheat yield of the country was largely increased; and yet no addition whatever was made to the cost of bread.

In the second place, inasmuch as from six to seven million quarters of wheat are still grown at home, it is apparent that much of the deserted corn-land must be land which, if put under corn, only just fails to repay the cost of production. The table printed above shows that two million acres—representing a much larger acreage under rotation—were not abandoned to grass until within the last twenty years of last century.

Further, what the farmer wants is not so much a high price as a steady price, a minimum price which he can really rely upon getting. There are fluctuations of price which cannot make any difference to the consumer, but make all the difference between profit and loss on a year's work to the producer. When we read that a new record in cheapness has been made, any regret we may feel at the thought of the farmers to whom the fall of prices means ruin is not mitigated by any satisfaction at the thought of poor men buying their bread cheaper. A fall of 5s. due, perhaps, to bearing operations on the New York Corn Exchange, may be disastrous to the farmer who is trying to get his living out of wheat; but the price of bread remains the same.

The following table is intended to exhibit compendiously

* Even though the British farmer is not benefited, as wheat grower, by an import duty on wheat, he may reap great advantage, as cattle and pig feeder, from such an import duty on flour as will restore British milling, and therefore with the old abundance and cheapness of flour-offals.

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the variations in the price of wheat during thirty-five years. For the sake of brevity, the average of quinquennial periods—*i.e.*, the average of the average annual prices—is given, and the highest and lowest of the average annual prices during the five years is appended. Being based on annual averages, the table does not show the extreme limits of variation : the highest price in the dear years must be higher, and the lowest price in the cheap years lower, than the recorded average. For example, in the year of Leiter's corner (1898) the price of 57s. 6d. was touched.

Period.	Average.		Maximum.		Minimum.	
	s.	d.	s.	d.	s.	d.
1866-1870	54	7	64	5	46	10
1871-1875	54	7	58	8	45	2
1876-1880	47	6	56	9	43	10
1881-1885	40	1	45	4	32	10
1886-1890	31	5	32	6	29	9
1891-1895	27	11	37	0	22	10
1896-1900	28	7	34	0	25	8

The points to be observed are : (1) that in the period covered by the table the price has varied as much as from more than 64s. to less than 23s. ; (2) that there has been a gradual decrease varied by very frequent oscillations ; and (3) that, as Free Trade in corn was established twenty years before the earliest year counted, and as since that year the price has fallen to about one-half, the present cheapness of bread must be due to causes other than Free Trade, and not to be affected by the proposed modification of Free Trade.

Those causes are numerous, and they are permanent. Among them may be reckoned large economies in the cost of production effected by the invention of agricultural machinery ; the application of scientific methods to tillage ; the improvement and cheapening of steam-carriage by land and water ; and the introduction of mechanism for shifting grain and loading and discharging grain freights. We owe cheap bread to mechanics, not to politics. No sensible man will admit any apprehension of another period of dear bread ; and to-day the old argument of the big loaf

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and the little loaf on the end of two sticks can be nothing but disingenuous.

NOTE.—The following calculations show how little either the great reduction in the corn duties in 1842, or their repeal in 1846, contributed to the present cheapness of wheat :

		Average price of wheat.			Fall.	
		s.	d.		s.	d.
1820-1829	" .	59	10	..	—	
1830-1839	. .	56	9	..	3	1
1840-1849	. .	55	11	..	0	10
1850-1859	. .	53	4	..	2	7
1860-1869	. .	51	7	..	1	9
1870-1879	. .	51	4	..	0	3
1880-1889	. .	37	0	..	14	4
1890-1899	. .	28	9	..	8	3

VII

FOREIGN AND COLONIAL TRADE COMPARED

ONE principal purpose of Mr. Chamberlain's policy being to enlarge our trade with the Colonies, the objection is at once raised that, if the Colonial trade is enlarged, the trade with foreign countries must be diminished: and that, inasmuch as the foreign trade is larger than the Colonial, the loss of trade will necessarily be larger than the gain of trade.

It is a rather easy-going logic that infers that a special effort to encourage one section of our trade must of necessity lead to a reduction of the remainder. If a man takes special measures to improve the yield of his flower garden, it does not immediately follow that he must expect a failure of his kitchen garden. Even if we admit the inference, we cannot, without protest, allow the aid of the Rule of Three to be invoked, and the assumption to pass that the increase and decrease respectively will be exactly proportionate to the volume of trade affected.

This argument, however, forms the stamina of many criticisms of the policy under consideration. To avoid suspicion of misrepresentation, let it be given in the words of Mr. Leone Chiozza: "Our over-sea trade is valued at £800,000,000, of which £600,000,000 is transacted with foreign nations, and £200,000,000 with British Possessions. Apart from other considerations, therefore, it is obviously unwise to dislocate three-fourths of our commerce in the endeavour to increase the remaining fourth."

Foreign and Colonial Trade Compared

THE FALLACY OF ADDING IMPORTS TO EXPORTS

These round numbers are obtained by adding together exports and imports, and calling the result "trade valued at" so much. Those who are acquainted with the amazing contributions to economical inquiry made by the present secretary of the Cobden Club will not be surprised when Mr. Chiozza informs them that this summary method was "suggested to me by Mr. Harold Cox." To add imports and exports together is always absurd, and generally misleading. It is commonly used to cloak a fallacious argument. If a man who last year earned £600 and spent £500, added these amounts together and produced £1100, his arithmetic would be excellent, but the total would be meaningless. If a brassfounder, having sold £10 worth of door-knobs to a Canadian merchant, and having also bought 20s. worth of Canadian cheese on his way home, were to enter the two transactions together as "dealings with Canada, £11," the entry would have no statistical value whatever, and the addition would have entirely destroyed any statistical value that belonged to the two separate items.

It should also be evident without argument that this method of lumping everything together conceals differences in real value between different transactions having the same volume in terms of money. When Mr. Chiozza writes "our over-sea trade is valued at," instead of "amounts to," £800,000,000, the substitution of the less accurate phrase covers a mistake of vast importance. Would any reasonable man, wishing to compare the value—whether to the owners, or to the persons employed, or to the nation—of two different commercial undertakings, be content merely with the one *datum* of the annual turnover? More persons may be earning a livelihood, and a larger addition may be made to the national wealth, by an undertaking with a turnover of £100,000 than by another with a turnover of £250,000.

VALUE DOES NOT VARY WITH VOLUME

Or again, there are important differences in value between the exportation of manufactured goods and the exportation

Foreign and Colonial Trade Compared

of raw materials, or, among raw materials exported, between those which represent the surplus of a harvest or annual yield—*e.g.*, raw cotton, or wheat, or wool—and those which represent a deduction from a store which cannot be replenished—*e.g.*, coal, or china-clay. These differences are neglected so long as we deal with gross totals.

These remarks will suffice to justify the preliminary observation that, in comparing our Colonial with our foreign trade, we must take into account the kinds of trade as well as the volume of trade.

COMPARATIVE VALUE OF COLONIAL AND FOREIGN TRADE

Bearing these things in mind, let us consider the following statistics. They are derived from the Board of Trade returns of British Export Trade in 1902.

Exports of British and Irish Produce and Manufactures.

	£
To Foreign Countries	174,395,000
To British Possessions	109,029,000
	<hr/>
	£283,424,000

Percentage of Export Trade

To Foreign Countries	61½
To British Possessions	38½
	<hr/>
	100

The reader is asked to keep these percentages in mind, and compare them with the percentage figures given below in respect of the several classes of exports that will be mentioned.

The following table is a classified summary of exports :

	Foreign. £	British Possessions. £
Living Animals	676,000	146,000
Articles of Food and Drink	8,102,000	9,048,000
Raw Materials	28,574,000	2,624,000
Yarns and Textiles	65,170,000	38,163,000
Metals and Manufactures therefrom	23,577,000	19,715,000

Foreign and Colonial Trade Compared

	Foreign.	British Possessions.
Machinery and Millwork	11,599,000	7,155,000
Ships, new, not registered as British	4,547,000	1,325,000
Apparel	1,750,000	10,036,000
Chemicals and Preparations	6,778,000	2,809,000
All other Manufactures . .	21,295,000	16,309,000
Parcels Post	1,803,000	1,675,000
Unenumerated Goods . .	522,000	26,000
	<hr/> £174,395,000	<hr/> £109,029,000

The percentages are as follows :

	Foreign.	British Possessions.
Living Animals	82	18
Food, &c.	47½	52½
Raw Materials	91½	8½
Yarns and Textiles . .	63	37
Metals and Manufactures	54½	45½
Machinery and Millwork	62	38
Ships	77½	22½
Apparel	15	85
Chemicals	71	29
Other Manufactures . .	56½	43½

THE ESSENTIAL DIFFERENCE

Even without further analysis the table exhibits at a glance the essential difference between our foreign and our Colonial trade—a difference which is, from our point of view, entirely in favour of the Colonial trade. Foreign countries take nearly all our exportation of raw materials ; the Colonies take far more than their share of manufactured goods.

The reasons for regarding the export of manufactures as of more value to us than the export of raw materials are obvious. In the first place, to export raw materials is to export the means by which foreign manufacturers will compete with British manufacturers. This is not given as a reason, in itself, for prohibiting or even checking such exportation ; but it is a reason for assigning less value to

Foreign and Colonial Trade Compared

this exportation than to exports of manufactured goods. A similar qualification should be made in the case of ships, the exportation of which represents a provision for enabling foreigners to compete with our export trade.

In the second place, speaking generally, a smaller proportion of the value of raw materials is value created by labour: or, in other words, a given amount, in value, of raw material means less in employment and wages than the same amount of manufactured goods. This rule has many exceptions, but those exceptions do not apply to our trade. Raw cotton is an exception, for cotton is a crop of which the cost of production is largely labour-cost. Only, whereas cotton is the largest item in the exportation of material to the United Kingdom from the United States, by far the largest item in our exportation of material to the United States is coal. Coals, coke, and fuel contribute no less than £27,580,000 to the £31,198,000, value of raw materials, in the classified summary.

If England took all the cotton crop this year, the crop could be repeated next year. If we want more cotton, the crop can be increased, more labour employed, and more mouths fed by the export trade. The coal we export is drawn from a store which is limited, diminishing, and irreplaceable. The same consideration applies to pig-iron and china-clay. Hence the significance of the following statistics of export:

Coal, Coke, and Fuel

	£	Per cent.
Foreign Countries . . .	25,466,000	92½
British Possessions . . .	2,114,000	7½

Unmanufactured Clay

	£	Per cent.
Foreign Countries . . .	475,000	93
British Possessions . . .	33,000	7

Pig-Iron

	£	Per cent.
Foreign Countries . . .	3,270,000	92
British Possessions . . .	299,000	8

Foreign and Colonial Trade Compared

CASE OF THE POTTERY TRADE

The mention of china-clay suggests a digression which will be pardoned because it treats of a matter of great importance to the North Staffordshire industry. Exports to the United States of (a) unmanufactured clay, and (b) earthenware and chinaware :

	(a) Tons.	(b) £
1899	106,692 ..	656,017
1900	120,642 ..	602,635
1901	138,909 ..	512,364
1902	155,720 ..	498,338

Between 1892 and 1902 our exportation of chinaware to the States declined from 100,506 crates to 48,198 crates. Thus, America (1) puts a tax of 60 per cent. on English pottery, (2) attracts our skilled workmen by the larger wages that are possible under Protection, and (3) gets year by year a larger helping of the limited supply of potters' clay ; and so a once prosperous industry is approaching starvation point. Having no Tariff, we are helpless to check these proceedings.

Such important facts and considerations are studiously concealed by the method of neglecting differences, lumping everything together, adding exports to imports, exhibiting the total, and calling upon us to rejoice in our commercial prosperity. It is an impressive and exhilarating method, but it is not likely to bring much consolation to the Staffordshire potter.

To return to the comparison of foreign and Colonial trade. The raw material class contains only two other items of importance.

Undressed Wool

	£	Per cent.
Foreign Countries . .	892,000 ..	96
British Possessions . .	38,000 ..	4

Flax and Hemp

	£	Per cent.
Foreign Countries . .	178,000 ..	96½
British Possessions . .	6,000 ..	3½

Foreign and Colonial Trade Compared

It is also worthy of notice that the Colonies take less than their share of those goods, entered in the manufactured classes, which are material for other manufactures. For example :

Yarns (Cotton, Jute, and Linen)

	£	Per cent.
Foreign Countries	7,081,000	81
British Possessions	1,694,000	19

It is hardly necessary, for the present purpose, to add many detailed examples of the comparative trade in special manufactures. The following instances may suffice :

Galvanised Iron

	£	Per cent.
Foreign Countries	1,388,000	33½
British Possessions	2,745,000	66½

Cast Iron

	£	Per cent.
Foreign Countries	447,000	41½
British Possessions	631,000	58½

Cycles and Parts

	£	Per cent.
Foreign Countries	234,000	32½
British Possessions	484,000	67½

Tubes

	£	Per cent.
Foreign Countries	450,000	44½
British Possessions	560,000	55½

Hardware

	£	Per cent.
Foreign Countries	719,000	47½
British Possessions	799,000	52½

Bedsteads

	£	Per cent.
Foreign Countries	152,000	43
British Possessions	200,000	57

Electric Lighting Apparatus

	£	Per cent.
Foreign Countries	195,000	31½
British Possessions	423,000	68½

Foreign and Colonial Trade Compared

THE COLONIES ARE OUR BEST CUSTOMERS

These statistics are sufficient to prove and illustrate the important difference in the prevailing character of our Colonial, as compared with our foreign, trade. The distinction would have been still more marked if Protective foreign countries had been taken separately from those Eastern and South American countries in which we can still find an open market.

It has been shown that the Colonies are incomparably our best customers for that division of our export trade to which prudence bids us assign the higher value.

If, then, we admit the two assumptions of Mr. Chamberlain's critics—(1) that the proposed encouragement of our Colonial trade will entail a diminution of our foreign trade, and (2) that the decrease will be proportionate to the volume of trade—it by no means follows that the decrease—assumed, but unproven—in the total volume of trade over-seas will impair its true value to the nation. On the contrary, we find in the statistics a very strong reason in support of the policy of fostering and enlarging our trade with the Colonies.

VIII

THE CHANGE IN THE CHARACTER OF OUR EXPORT TRADE

It has been shown that our trade with the Colonies is of a more satisfactory character than our trade with foreign countries, because it includes a far larger proportionate exportation of manufactured goods, and a far smaller proportionate exportation of coal and other irreplaceable materials.

The following statistics are intended to demonstrate that our trade, regarded as a whole, has recently been subject to a gradual change which is, in the same sense and for the same reason, unsatisfactory. If this be so, a change in our commercial policy is indicated by the symptoms.

The following calculations of the percentage of different classes of exports and imports to the total value of exports and imports respectively are derived from the Board of Trade returns. For brevity's sake, the returns of four years out of five will be omitted; those of every fifth year—not selected years, but years taken at regular intervals—will suffice to justify the argument.

CLASSIFICATION OF TRADE

Exports and imports are roughly classified as (1) food, (2) raw materials, (3) manufactured or partly manufactured goods. In the Board of Trade summaries tobacco is counted with food. In the following statement living animals—*i.e.*, mostly cattle, sheep, and pigs exported or imported for food—are counted in the food class, although separately classified by the Board of Trade, in order that the tables may be uniform with the German returns that will be given for

The Change in our Export Trade

comparison below. The error so introduced—inasmuch as the class also includes horses and stock-cattle—will not affect the conclusions, which depend wholly on the comparison of the classes of raw material and manufactures. It is in any case a slighter error than that of omitting live meat from the count of food-stuffs.

British Exports : Percentages

Year.	Food.	Raw Materials.	Manufactured Goods.
1882 . .	4.7 ..	5.1 ..	90.2
1887 . .	4.5 ..	5.8 ..	89.7
1892 . .	4.9 ..	8.5 ..	86.6
1897 . .	5.7 ..	8.6 ..	85.7
1902 . .	6.1 ..	11.0 ..	82.9

Here observe (1) the steady decrease of manufactured exports, and (2) the steady increase of raw materials (coal, clay, &c.) exported. Observe further (3) that both the increase and the decrease are most rapid in the two periods 1887-1892 and 1897-1902. This completes the proof that the phenomena are correlated. The law is : *The more of our raw materials we sell to foreigners, the less of our manufactures they buy from us.*

KINDS OF MANUFACTURED GOODS

The classification of manufactured goods in use is :

- (a) Yarns and textiles ;
- (b) Metals and articles manufactured therefrom, except machinery ;
- (c) Machinery and mill-work ;
- (d) Apparel and articles of personal use ;
- (e) Chemicals ;
- (f) Miscellaneous.

Under this classification the percentages are :

	(a)	(b)	(c)
1882 . .	46.5 ..	18.0 ..	4.9
1887 . .	48.9 ..	15.8 ..	5.0
1892 . .	44.1 ..	14.6 ..	6.1
1897 . .	41.2 ..	14.7 ..	7.0
1902 . .	36.4 ..	15.0 ..	6.6

The Change in our Export Trade

	(d)	(e)	(f)
1882 . .	5.1	3.1	12.6
1887 . .	4.6	3.1	12.3
1892 . .	4.6	3.8	13.4
1897 . .	4.2	3.6	14.9
1902 . .	4.3	3.4	17.2

The great falling off has been in the exports of textiles, but it is also considerable in metal manufactures. On the other hand, machinery—that is, the equipment of foreign manufactories—supplies a highly significant exception, showing an increase instead of a decrease.

THE IMPORT RETURNS

Now let us bring into comparison the corresponding statistics of importation. It will be noticed that the rows in the following table, if cast up horizontally, come to less than 100. The difference represents a small miscellaneous class, varying from 3.4 to 3.8.

Year.	Food.	Raw Materials.	Manufactures.
1882 . .	43.7	40.2	12.5
1887 . .	42.1	39.3	15.0
1892 . .	44.4	36.5	15.4
1897 . .	42.9	34.8	18.9
1902 . .	42.5	35.0	18.7

Here we find that the changes have proceeded in exactly the reverse direction. The importation of manufactured goods is on the up grade; that of raw material is declining.

THE TRADE OF GERMANY

A most significant contrast is afforded by the similar statistics of the German Empire. These will also be given at intervals of five years. The years do not exactly correspond, as the statistics for 1901 and 1902 are not yet to hand.

German Imports.

Year.	Food.	Raw Materials.	Manufactures.
1880 . .	32.6	39.6	27.8
1885 . .	30.3	41.2	28.5
1890 . .	33.5	42.9	23.6
1895 . .	33.7	43.8	22.5
1900 . .	30.6	48.6	20.8

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German Exports

Year.	Food.	Raw Materials.	Manufactures.
1880 . . .	22.1	20.2	57.7
1885 . . .	18.5	18.6	62.9
1890 . . .	14.2	21.3	64.5
1895 . . .	12.5	21.8	65.7
1900 . . .	11.2	24.1	64.7

It would surely be the most wilful sort of blindness to refuse to connect this unsatisfactory development of English trade, coinciding with a satisfactory development of German trade, with the strongly contrasted commercial policies of the two empires.

A SIGNIFICANT COMPARISON

Here are some more statistics that tell the same tale and point the same moral:

Exports of Manufactured Goods, in millions of pounds sterling

	1883.	1890.	1901.
United Kingdom . . .	215	230	222
United States . . .	28	31	86
Germany . . .	98	107	145

Thus in eleven years British manufactured exports decreased by $3\frac{1}{2}$ per cent. ; American manufactured exports increased by 174 per cent. ; German manufactured exports increased by $35\frac{1}{2}$ per cent.

The imports of manufactured goods into the United Kingdom in the three years in question were as follows (millions of pounds) :

1883.	1890.	1900.
53 . . .	63 . . .	93

As imports rise exports are falling.

THE FAILURE OF A THEORY

These statistics also illustrate once more the failure of the predictions of the extreme school of *laissez-faire* economists. Undeterred by failure, they still go on prophesying—just as

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a sporting prophet, whose selection for the Derby was nowhere on Wednesday, is as confident as ever on Thursday that he knows what will win the Oaks on Friday.

In 1878 the late Professor Fawcett published a very lucid and powerful defence of Free Trade against Reciprocity. His arguments are for the most part *à priori* or deductive, but occasionally he condescends to statistics. The result is, to a well-informed reader of to-day, quite ludicrous. If we substitute the most recent returns, those of 1902, for the returns cited by Mr. Fawcett—those of 1877—it will be found in nearly every case that the inference drawn is exactly reversed.

For example, Mr. Fawcett wrote: "In the year 1877, when the iron trade was most inactive, the entire quantity of iron and steel, manufactured and unmanufactured, imported into England amounted to only £2,515,034." This importation, even excluding iron ore, amounted last year to £7,988,519: and the inference fails. "With regard to Belgian iron competing successfully against English iron in our own market, so little reason is there to suppose our trade can be so injured that the value of the iron exported from Belgium to England in 1877 exceeded by only £210,724 the value of the iron exported from England to Belgium. It therefore appears that the Belgian ironmasters have nearly as much to fear from the competition of England as the English ironmasters have from the competition of Belgium." To-day this excess is nearly £2,500,000, and the importation from Belgium is more than six times the exportation to Belgium.

Then follows the generalisation: "No single case can be brought forward in which English trade suffers to any appreciable extent by foreign products underselling in our own markets the same articles of English manufacture." We may safely accept Mr. Fawcett's word that this was true twenty-six years ago. But who is bold enough to repeat the assertion to-day? Any reader of this book could adduce, not a single case merely, but many examples of trade ruined in the way that Mr. Fawcett thought impossible. Or again, he remarked that the value of all the exports from the United

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States to England, excepting articles of food and raw produce, amounted to the "comparatively trifling" sum of £2,578,000. Last year they amounted to about £13,000,000.

Let not the purpose of these citations and corrections be misunderstood. It is certainly not to make a point against an economist and politician whose name must always be held in high esteem by Englishmen. It would be absurd to blame Mr. Fawcett, who dealt honestly with the conditions of his own time, for not foreseeing the conditions of our time. If he wrongly conceived that those conditions were immutable when in fact they were changing, that is the commonest error of fallible human judgment. He had a theory. He tested the theory by the facts to which he had access, and found it justified. We in our turn test the theory by a new set of facts and find it wanting. What the citations do prove is this, at least—that Mr. Balfour is absolutely right when he declares that the conditions of trade have so altered during the past twenty years that a reconsideration of commercial policy is imperative. Indeed, that opinion must seem the merest common sense to any one but a theoretical economist fighting for an ancient creed with the zeal of defiant orthodoxy.

In further illustration of the argument a few examples are appended of British manufactures injured by foreign competition. The test applied is that suggested and employed by Mr. Fawcett, viz., a large excess of importation over exportation of the same class of manufactured goods. It cannot, however, be admitted that this test discloses every case. It does not reveal the worst cases—those in which exportation is either entirely destroyed, or has become so small that it is not separately recorded by the Board of Trade, but included in a mixed class. For example, last year we imported £1,145,000 worth of house frames and other joinery. There is no similar entry in the export returns. If there was any exportation, it is included under "Wood manufactures, unenumerated," of which the total value was only £376,901. The statistics are in every case taken from the Board of Trade returns for 1902. Where possible quantities, in other cases values, are given.

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	Imports.	Exports.
<i>Paper and Paper Goods (cwt.s.).</i>	6,470,951	1,081,823
<i>Brooms and Brushes (dozens) .</i>	1,309,129	347,306
<i>Glass and Glassware (value) .</i>	£3,696,992	£1,097,930
<i>Cotton Hosiery (value) . . .</i>	£832,702	£457,742
<i>Motor-cars, and parts (value) .</i>	£1,103,065	£172,143
<i>Leather (cwt.s.)</i>	1,198,864	127,425
<i>Musical Instruments (value) .</i>	£1,368,911	£264,190
<i>Zinc, manufactures of (tons) .</i>	21,374	1,324
<i>Clocks, Watches, and parts (value)</i>	£1,690,086	£101,657

To avoid misapprehension, it may be well to define the purposes for which these returns are cited. They prove in the first place that the conditions of our manufacturing industries have vastly changed since Mr. Fawcett made the observation quoted above. In the second place, they disprove a favourite position of the school of economists that refuses to be taught by experience—the position that Protected countries cannot compete in foreign markets with Free Trade countries, because Protection raises the cost of living, and therefore the rate of wages.

NOTE.—Readers of the late Lord Farrer's well-known book, "*Free Trade versus Fair Trade*"—the most elaborate statistical defence of unrestricted Free Imports—will find it both instructive and amusing to test this work by the method applied above to Professor Fawcett's book.

In February 1885, not long before his death, Mr. W. E. Forster made a speech at Bradford in favour of Imperial Federation. Lord Farrer realised at once the danger of such a project to the Free Trade (Free Import) system. Mr. Forster appeared to him to be standing, perhaps unconsciously, perilously near the edge of a great abyss of fiscal heresy. He therefore hastened to bring out a second edition, published by the Cobden Club, of his book, and therein committed himself and the Club to firm opposition to Imperialism and to federation.

Mr. Forster had alleged that trade with the Colonies was increasing more rapidly than trade with foreign countries, and had so tried to lay the basis of a doctrine since crystallised in the maxim, "*Trade follows the Flag.*" In contra-

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diction of Mr. Forster, Lord Farrer produced statistics to support the contention that "our trade with the Colonies, instead of increasing twice as fast as our trade with foreign countries, has in fact just kept pace with it."

The comparison was between the years 1872 and 1882. Let us now take advantage of the wider outlook which twenty years' more experience gives to our generation, and compare the year 1872 with 1902.

Exports of British and Irish Produce and Manufactures

To Foreign Countries

	£
1872	196,000,000
1902	174,000,000
<i>Decrease, £22,000,000, or 11 per cent.</i>	

To British Possessions

	£
1872	60,000,000
1902	109,000,000
<i>Increase, £49,000,000, or 81½ per cent.</i>	

Thus further experience has entirely overthrown the argument on which this great Free Trader elected to base his opposition to Mr. Forster's Imperialism.

Lord Farrer (p. 123) gives the following return of the exportation of manufactures from Germany:

	£
1869	43,864,000
1879	53,551,000

Now the Protective system was introduced by Bismarck in the latter year—1879. Lord Farrer, after complimenting the Germans on the "thrift, skill, and energy" by which they had won this remarkable increase of manufacturing industry and trade, proceeds: "How far the retrograde steps Germany has taken in the direction of a return to Protection may check her progress I have no means of determining."

We, however, have the means of determining this question. Let us then complete Lord Farrer's table by adding the figures for 1889 and 1899:

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				£
1889	.	.	.	104,950,000
1899	.	.	.	135,600,000

Thus by the side of an increase of less than £10,000,000 in the last decade before Protection, we find an increase of more than £50,000,000 in the first decade of Protection, and a further increase of more than £30,000,000 in the second decade of Protection. Bismarck, like McKinley, is justified by results.

Such has been the fulfilment of Lord Farrer's expectation that this "retrograde step" would "check the progress" of German trade.

On p. 126, Lord Farrer discusses the sources of the prosperity of the United States. He remarks: "With great facilities for producing iron and steel, and with a considerable native production, prices were so high in 1880 that, in spite of the duty of 40 per cent. imposed on foreign iron, we were able to send them £10,000,000 worth, whilst what they sent us was worth £200,000."

This looks well for Free Imports as against Protection. But let us apply Lord Farrer's own test twenty years later. In 1900 we exported only £1,740,000 of iron goods to the States, and imported from the States more than £5,000,000 worth. If the test is a good one, what does it prove now? If it is a bad one, why did Lord Farrer use it then?

Lord Farrer's conclusion is: "The things which they have not protected they supply the world with; in the things which they protect, and we leave free, they are nowhere in the race." Where are they now?

Similarly Lord Farrer draws a conclusion favourable to Free Trade (Free Imports) from the statistics of exports of domestic produce from France, viz.:

				£
1869	.	.	.	126,003,000
1879	.	.	.	127,884,000

"The trade has been stationary whilst the English trade has largely increased." True; but during the following twenty years, France being still protected and England

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keeping the system of free imports, the French export trade rose to £166,104,000.

The same conclusion—that Protection causes stagnation of export trade—is supported (p. 48) by the example of Canada. “The whole exports of Canada, which stood at seventy-three millions of dollars in 1873, only stood at seventy-seven millions in 1884.” Yes; but in 1901 they stood at two hundred millions.

In the chapter devoted to “special illustrations” of the commercial advantages of the Free Import system, great stress is laid (pp. 170–171) on the flourishing condition of the woollen industry of Yorkshire. There is a table showing how the exportation of woollen goods had risen from £15,861,000 in 1879 to £20,131,000 in 1884; and how the exportation of such goods to the States rose from £1,572,000 in the former to £3,145,000 in the latter year.

But unhappily there has since been a decline. The figures for 1901 are :

	£
Total Exports	14,237,000
Exports to U.S.A.	1,128,000

In the same chapter the silk trades of France and of England are compared, with results favourable to the latter. But if recent returns are put in, the inference is at once reversed. “France exported to us silk goods, the product of her own manufacture, to the amount of $6\frac{1}{4}$ millions sterling in 1860 before the French treaty came into operation, and to the amount of $10\frac{1}{2}$ millions in 1866; whilst the amount she exported to us in 1884 was only $3\frac{3}{4}$ millions.” In 1902 this exportation was $8\frac{3}{4}$ millions.

“Meanwhile,” proceeds Lord Farrer, “I find that the exports of silk manufactures from England, which had dropped from a million and a half in 1860 to a million in 1867, rose in 1880 to two millions, and in subsequent years to two millions and a half.” They have now sunk again to one and three-quarter millions.

IX

COMMERCIAL TREATIES

THE COBDEN TREATY

THE famous Commercial Treaty between England and France—commonly known as the Cobden Treaty, because the negotiations were conducted by Cobden and Michel Chevalier—was concluded in 1860—fourteen years after the repeal of the Corn Law made a beginning of the Free Trade policy, and just before the completion of that policy by the last of the great series of Gladstone Budgets. On the French side it was agreed that no import duty imposed on any British staple should exceed 30 per cent. *ad valorem* ; on the British side it was agreed to give the French Free Trade in the United Kingdom—except in respect of wine and spirits, the duties upon which were limited by the treaty—and not to levy a duty on British coal exported to France. This treaty remained in operation until 1882. The removal of the duty on French manufactured silk ruined the English silk trade ; and Coventry starved for the good of the nation. Rich ladies walked in silk attire at a slightly reduced expense ; and a considerable number of working men were hard put to it to clothe their wives even in cotton.

It is important to notice that, although in 1860 the British Government had made up its mind to complete the abolition of import duties on foreign manufactured goods, in pursuance of the Free Trade policy, and not to oblige foreign nations, Cobden was just in time to use Free Trade as a term in a bargain, and made the best use he could of an advantage which his policy was shortly to take away. He offered Free Trade to the French in return for something much

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less than Free Trade : but that something he got. Since then we have made no such treaty on any approach to mutual terms. We have elected to give the open market away : and foreign nations, not being as grateful as we could wish, are not to be expected to make us any return for a privilege of which we, unasked, have made them a present. Yet the open market of England is, for all the exporting countries of the world, a very valuable privilege—a privilege for which most of them would bid rather high, if the best bid were invited. To many of them, and especially to Germany, France, and the United States, our market is by many degrees the best market they have, or can hope to obtain on any terms.

Surely this is a fair question. Admit, to the full extent of the contention of Free Trade economists, that the open market is as advantageous to us as to the foreigner who resorts thereto, that it is as good for the buyer as for the seller—admit that we would rather give Free Trade to the foreigner for nothing than not give it at all—still, why, in dealing with nations that restrict their own markets, bargain with one another, and give valuable consideration for privileges much less than we bestow—why should we refuse to bargain ?

If we again set up a Tariff, we shall, in Mr. Chamberlain's phrase, have " resumed the power of negotiation " which we last used to advantage in the Cobden Treaty. This does not necessarily mean that we shall do away with Free Trade for foreign manufacturers. We may still, if we choose, give them Free Trade ; they will probably get it, as the French got it in 1860, for something less than Free Trade. But they will not get it for nothing.*

PROSPECTS OF A TARIFF WAR

Here an objection is raised. It is not denied that reciprocated Free Trade, or such approximation to reciprocal

* " A country cannot be expected to renounce the power of taxing foreigners, unless foreigners will in return practise towards itself the same forbearance. The only mode in which a country can save itself from being a loser by the revenue duties imposed by other countries on its commodities, is to impose corresponding revenue duties on theirs."—J. S. MILL.

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Free Trade as may be obtainable, is better than one-sided Free Trade—that, indeed, could not be denied without doing injury to the authority of Cobden—only it is objected that the process of seeking reciprocity through bargains and treaties will lead to consequences which all must deplore.

“We shall find ourselves engaged in a tariff war: in such a war we must be the losers: other nations in their wrath will put up their tariffs against us, and we shall be even worse off at the end than we were when we started.”

“War,” it may be remarked, is hardly a well-chosen metaphor for a series of pacific negotiations and mutually beneficial treaties; but let that pass.

What reason is there for the gloomy expectation that, when we have resumed the power of negotiating commercial treaties, those negotiations must end in the aggravation of tariffs against us? We shall enter upon the process of bargaining with the immense advantage of having far more to offer than anybody else. Where they at the best can only offer limited tariffs, we can still offer conditional Free Trade; and, even though the concessions we secure in return be small, we shall be so much the better off.

What the value of our custom is to the principal nations concerned may be judged from the following list of the four best customers of France, the United States, and the German *Zollgebiet* (which is now practically conterminous with the German Empire) respectively. The statistics are those of exportation in the year 1901:

<i>France</i>				<i>£</i>
Great Britain	.	.	.	44,000,000
Belgium	.	.	.	22,000,000
Germany	.	.	.	18,000,000
United States	.	.	.	10,000,000

<i>United States</i>				<i>£</i>
United Kingdom	.	.	.	117,000,000
Germany	.	.	.	37,000,000
British North America	.	.	.	22,000,000
Holland	.	.	.	16,000,000

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	<i>Germany</i>	£
Great Britain		46,000,000
Austria-Hungary		25,000,000
North and Central America		22,000,000
Russia		17,000,000

The United States owe to us 40 per cent. of the total of their export trade, France 23 per cent., Germany 22, Holland 24, Belgium 18; with Russia, Austria, and Italy our dealings in this way are proportionately much smaller.

Take Germany, for example. The English market is of the utmost value to Germany. That it should remain open is absolutely essential for the success of those manufactures which the paternal Government has done so much, even at the cost of bounties and subsidies, to foster and extend. The Germans, as we know, are willing, whenever the treaty with France comes up for revision, to bargain with the French for the right of admission to the French market, and to limit their tariff in favour of France for the sake of securing access to France for their own products. That is the "War of Tariffs." Why should we apprehend that they will do less to retain their market in England—a privilege vastly more valuable to them?

Indeed, the last few weeks * have given to those who can interpret signs a pretty clear indication of the disposition of Germany to meet us when we have "resumed our power of negotiation, and if need be of retaliation." The Germans had openly threatened to punish Canada by a drastic tariff for the preference Canada is giving to her metropolitan country. Why? Because to German publicists, conscious that the expansion of the German Empire is nearing its limits, and that they have but little to add to the work of Stein and Bismarck, it is a main purpose of high politics to obstruct the consolidation of the British Empire. Yet now, in consequence, not of a decision of the British nation to retaliate, not of an expressed determination of the British Government to retaliate, but merely of the advice given to

* Written in July 1903.

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his countrymen by one British statesman to resume the power of retaliation, the German journals have begun to hint that the menace to Canada will not be executed.

Whether this hint is or is not "semi-official" or "inspired" hardly matters in this connection. What does matter is that it represents the view which the common sense and commercial instincts of the German nation take of the new policy. They will be more disposed to negotiate than to provoke retaliation. And, indeed, a vindictive policy on their part would be a very gratuitous piece of vindictiveness, seeing that, after all, the worst that Mr. Chamberlain's policy can mean to foreign nations is that we are to be in a position to deal with them as they have always been accustomed to deal with one another.

THE MOST-FAVOURLED-NATION CLAUSE

It is sometimes argued that we do get the benefit of commercial treaties and tariff bargains without the trouble of negotiation, because we enjoy the privilege of the most-favoured-nation clause in our commerce with the Protected nations.

The most-favoured-nation clause does not secure free access to foreign markets, nor does it set any limit to the tariffs that foreign Governments may set up against us, except this limit—that the tariff against any class of British goods must not exceed the tariff against the same class of goods produced and exported by any other foreign nation. Let us consider how it works out in practice.

The commercial treaty between France and Germany comes up for revision. The French negotiators will be particularly anxious to secure a market in Germany for those products of which France has a large surplus for exportation, chief of which are silk goods and wines. If the Germans are disposed to raise a tariff wall against French silk and French wine, the Frenchmen can threaten retaliation: they may raise in their turn the tariff against some class of merchandise of which the exportation is a considerable part of German trade. So, by the interchange

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first of threats and then of concessions, a reasonably satisfactory agreement is reached. All this time, as we are told by those who are satisfied with the most-favoured-nation clause, France, in protecting her own interests, is unintentionally protecting our interests also. But how? The French negotiators, if successful, secure good terms for claret and silk. But that does not help us. We have no claret or silk to sell to the Germans: of these good things we are buyers, not sellers. When the negotiation reaches the class of products in which we are most interested because they are classes in which we can beat the French on equal terms on the German market, it has reached a point at which the Frenchmen become, for that very reason, indifferent, and are quite content to leave the Germans to do their worst.

In practice, then, the most-favoured-nation clause means that the Sheffield cutler or the Manchester cotton-spinner is to leave the conduct of a bargain in which he is interested to the silk-merciers of Lyons and the wine merchants of Bordeaux. Surely he would be better advised to undertake the negotiations himself. But he cannot, because, having no tariff and nothing to bargain with, we must needs be content with the leavings of other nations.

X

THE ART AND THEORY OF DUMPING

SOME years ago there was a great outcry against American competition on the part of the manufacturers of Brussels carpets in Kidderminster. The carpet makers of the United States had manufactured carpets in excess of the year's demand in their own country. At the end of the season they agreed to export the surplus to England, and sell it for what it would fetch, rather than keep it at home and so spoil the home trade of the following year. The result was that a considerable quantity of American carpets was sold here at 3*d.* a yard less than the cost price at Kidderminster, and that the inhabitants of that town suffered much hardship.

If we consented to regard this transaction from the economical point of view and from no other, we might allow the economists to persuade us that it offers cause for rejoicing rather than regret. Possibly, even, if the complete statistics were obtainable, it might be demonstrated that the immediate gain to the British purchasers of carpets, in the aggregate, exceeded the loss incurred by the British carpet makers, in the aggregate : and that so our national wealth was increased by the unintentional kindness of the American dumpers. Even economically, however, the future results of loss of confidence and the spirit of enterprise in an important industry, though not easily calculable in terms of money, ought to count for something. If we recognise that there is a social and ethical side also to such questions, we may fairly refuse to permit the economist

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to determine the issue unaided. Put on the one side an industrious workman capable of earning, and willing to earn, 30s. a week, but now reduced to half-time and earning only 15s. a week : and put on the other side fifteen well-to-do people who buy for a sovereign an article of which the honest price is a guinea. The loss and the gain certainly balance one another arithmetically, but it does not follow that the happiness and comfort which the fifteen purchasers derive from their saving exactly balances the distress of the one unfortunate workman. This is worth considering, even though we should leave out of account the waste entailed by the loss of a year's usufruct of the machinery and capital of the master carpet makers.

It is stated that Axminster carpets, of which the cost of production both in America and at home is 4s. a yard, are often exported here from America and sold to English upholsterers at less than 4s. a yard. The American Government allows to the exporters a rebate on the duty originally paid on the material ; but, as there is no duty on the raw material in this country, this bounty does not account for the competition.

A certain kind of cheap glass tumblers is produced in this country at a cost of 1s. 2d. a dozen. If the English tumblers are sent to U.S.A. this cost price is increased by tariff and freight to more than 2s. The full cost of production at Pittsburg, U.S.A., is 1s. 6d. The Pittsburg maker sells his tumblers in the States at 2s., in England at 1s., and so the English maker, though he can make more cheaply, is beaten in both markets.

In the second half of the year 1900 the German Wire-nail Makers' Union sold in Germany 22,307 tons at a profit of 82s. 9d. a ton, and exported 19,525 tons at a loss of 44s. a ton, the home market being protected against foreign competition by a duty of about 30s. a ton. This statement is derived by *The Ironmonger* (February 1901) from the *Frankfurter Zeitung*, a Free Trade organ, and is based on the report rendered by the union to its members.

"England is the dumping-ground of all nations," says a correspondent. "In my own trade we could employ

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thousands more hands if we only had equality of tariffs." But the mere repetition of such remarks is useless. They have been made so often that the public is habituated to treating them with disregard. Statements of this kind are, indeed, so familiar that there is no need to accumulate them: those cited are given merely as specimens to introduce the subject. Any reader may collect from a railway carriage full of commercial travellers more examples than it would be possible to enumerate here.

Instead of adding more to evidence which is already superabundant, it will be more profitable to reply to the scepticism with which this evidence is not uncommonly received. In other words, it is proposed to try to explain the theory, rather than illustrate by examples the art, of dumping.

Hesitation to believe stories of dumping expresses itself in various ways. "Do you ask me to believe that because a German clockmaker can get 5s. in Germany for a clock that it costs him 4s. to make, therefore it pays him to sell the clock in England for 3s.? It is absurd." Certainly it is absurd—if any one chooses to put it in this absurd way. But, as we shall see, if the art of dumping is described, not in this fictitious way, but as it is actually practised, the absurdity disappears.

Another reply takes this form. "Interested people are trying to make out a fictitious case for Protection by misrepresenting as frequent and regular what is only exceptional and occasional. An American traveller, for example, comes to England to sell 2000 American organs. Having disposed of 1950 of them at an honest price, he goes into a music shop in Liverpool an hour before his boat sails, and sells the remaining fifty for what he can get. His English competitor follows—fails to get an order—is informed of the price of the fifty American organs—declares it to be less than the cost of the material—and raises an outcry by representing this odd bargain as part of a regular system of trade."

Or again: "It may be true that in some one year the American carpet makers, having overrun the home demand, elected out of two evils that of selling the surplus at a loss in

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England. But they will not go on throwing money away year after year. Next year the supply will be more accurately adjusted to the home demand." It will be shown below that selling at less than cost price outside your own country does not necessarily entail any loss at all.

The most frequent retort is this: "It is quite incredible that in any trade goods are regularly sold at less than the cost of production. You must be in error. If the prices you mention are regular, you are mistaken in supposing that they do not cover the cost to the manufacturer. The fact is that you are behind the time. Your German or American competitor is a more enterprising person. He is possessed of some mechanical appliance or of some economical method of which you are ignorant: or he gets more work out of his men: or perhaps he is not so subject to the interference of the Unions. It is fair competition; and if it hits you, instead of calling it unfair and appealing for protection, you would be better employed in finding out what it is that the Americans and Germans know, and you do not know, about your own trade."

All this is plausible—so plausible that it is useless to accumulate examples for the persuasion of any sceptical person, until he has grasped the theory of dumping. It may be admitted that it is impossible for an outsider to decide to which of innumerable complaints such retorts fairly apply, and to which they are inapplicable.

The items that go to make up what shall be called the full cost price of a manufactured article may be classified as follows:

- (a) Interest and depreciation or sinking fund on the capital cost of plant;
- (b) Rent, rates and taxes, salaries, and other establishment charges;
- (c) Cost of material;
- (d) Wages of workpeople.

The modern introduction of expensive labour-saving machinery, requiring large capital and a big output, into industries formerly carried on by small capitalists with an

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inexpensive plant, involves a large increase of the item marked (*a*), with a compensating decrease of the item marked (*d*).

Now, of these items, (*c*) and (*d*) vary with the output. If only half as much merchandise is to be produced, only half as much material will be bought, and only half as much money spent on wages. On the other hand, (*a*) and (*b*), though calculated for the maximum output of which the works are capable, are in the aggregate practically constant : they cannot be appreciably diminished by any increase in output. The smaller the output, the larger the share of (*a*) and (*b*) which each article has to carry as part of its full cost of production.

It is also evident that, so long as the works are running, whether at a profit or a loss, it is better to sell the articles produced at a price which will cover with the margin the sum of (*c*) and (*d*) than not to produce and sell them at all. The sum of (*c*) and (*d*) let us call the immediate cost price. If by the sale of part of the output at a profit on the full cost price the items of expenditure (*a*) and (*b*) have been covered, the sale of the remainder at a price which yields a profit on the immediate cost price will bring an additional profit. Even if (*a*) and (*b*) are not covered by profits, sales at a margin above the immediate cost price will at least diminish the loss.

But this is subject to a very important proviso. The producer dare not sell any part of his products at less than the full cost price in his own home market. If he did, he would be lowering prices against himself. What he dares to do, and what he does, is to export what he cannot sell at full price to a foreign market, where his low prices will injure not himself but his foreign competitor. Further, that market must be one in which the manufacturer he attacks is not protected by a tariff. The British market is at once indicated as the most promising—indeed, as the only promising—field for dumping operations, and the British manufacturer as the only victim who is powerless to resist.

Let us suppose that the "full cost price" of a certain

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article in America is 4s., and that the 4s. is made up as follows :

	s.	d.
(a) Capital charges on plant	0	9
(b) Establishment charges	0	6
(c) Material	1	9
(d) Wages	1	0

A selling price of 4s. 6d. in America therefore gives a margin of profit. In order to show that dumping may be profitable to the American manufacturer and ruinous to the English manufacturer, even though the cost of production is actually lower in England than in America, we will suppose that the full cost price in England is 3s. 9d. That price must be undersold to make the example of dumping perfect.

The maximum output of the works we will put at 100,000 articles a year. This maximum output is assumed in calculating the full cost of each article. Suppose that the American market will take 80,000 articles at 4s. 6d. The choice lies between restricting the output to 80,000, or making 100,000 and exporting 20,000 to England at dumping prices. Let us calculate which of these two courses is more profitable:

(1) Output of 80,000]

<i>Expenditure</i>	£
(a) Capital charges	3750
(b) Establishment charges	2500
(c) Material	7000
(d) Wages	4000
<i>Total</i>	£17,250
<i>Income</i>	£
80,000 sold at 4s. 6d.	£18,000

(2) Output of 100,000

<i>Expenditure</i>	£
(a) Capital charges	3750
(b) Establishment charges	2500
(c) Material	8750
(d) Wages	5000
<i>Total</i>	£20,000

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<i>Income</i>	<i>£</i>
80,000 sold at 4s. 6d.	18,000
20,000 dumped at 3s. 6d.	3,500
	<hr/>
<i>Total</i>	<i>£21,500</i>

The profit after paying interest on capital is £1500 with dumping, but only £750 if no attack is made on the British market. From the former sum a deduction is to be made for the cost of carriage to England; but the difference is large enough to bear this deduction easily.

Why does not the British manufacturer retaliate by dumping his stuff in America? Because he is shut out from the American market by a tariff. Is it unreasonable that he should ask for some protection?

The above exposition is so elementary that an apology is due to readers who are business men for occupying so much space with so simple a matter. The excuse is that many persons who write letters in the newspapers have shown themselves to stand in need of this rudimentary instruction.

It only remains to be added that no practical method of protecting British manufacturers and British workmen against this inequitable form of competition has yet been suggested, except that of imposing a tariff against foreign manufactured products.

Cases in which the German or American manufacturer is able to compete with the British manufacturer on favourable terms, because he possesses some secret of economical production, are not properly described as dumping, nor is this competition unfair. Inasmuch as it would probably be impossible to distinguish in the tariff between fair and unfair competition, it is proper to inquire how a tariff system would affect industries in which the secret of economy is in the hands of our foreign rivals. Quite recently the directors of an American undertaking that enjoys this advantage, and does a large trade in England, being far-seeing men, took counsel what they should do to preserve their English trade in the event of a change in our commercial policy. Such a change appeared to them probable, and in the long run certain; for, they thought, the English, though

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conservative of habit, cannot be foolish enough to go on giving trade away for nothing for ever. What they decided to do was to arrange for the establishment of a factory in England employing English workmen, and paying English rates and taxes. These arrangements are actually in progress, and have been accelerated by Mr. Chamberlain's announcement. The writer has this on the authority of a director of the concern in question ; but, as it is not possible to give names or particulars, the reader cannot be asked to accept the facts as proved. Common sense, however, will prove to him that, whether or not this particular case is accurately reported, such a transference of industrial employment from foreign countries to England is a certain result of the Progressive Commercial Policy.

XI

OUR TRADE WITH AMERICA

IN July of last year the Board of Trade issued a Memorandum containing some instructive tabular statements of recent British trade with several foreign countries. The tables are accompanied with a commentary, written in the cautious and moderate temper proper to an official expert by Sir A. E. Bateman, the chief statistician of the Board. From this Memorandum the following conspectus of our trade for fifteen years with the United States is taken. It deserves to be studied with the utmost attention, for it supplies a complete refutation of the most confident maxims of the opponents of fiscal reform. It is hardly too much to say that, on this evidence alone, we are justified in discarding, as wilful and disproved assumptions, generalisations that are still audaciously put forward as axioms needing no proof.

BRITISH TRADE WITH THE UNITED STATES, 1886-1890

	Imports from U.S.A.	Exports to U.S.A.
1886 . . .	81,600,000	26,800,000
1887 . . .	83,000,000	29,500,000
1888 . . .	79,800,000	28,900,000
1889 . . .	95,500,000	30,300,000
1890 . . .	97,300,000	32,100,000
1891 . . .	104,400,000	27,500,000
1892 . . .	108,200,000	26,500,000
1893 . . .	91,800,000	24,000,000
1894 . . .	89,600,000	18,800,000
1895 . . .	86,500,000	27,900,000
1896 . . .	106,300,000	20,400,000
1897 . . .	113,000,000	21,000,000
1898 . . .	126,100,000	14,700,000
1899 . . .	120,100,000	18,100,000
1900 . . .	138,800,000	19,800,000

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The first observation to make is that between 1886 and 1900 our imports from the United States increased by no less than 70 per cent., and that during the same period our exports to the United States decreased by 26 per cent. The difference between imports and exports increased from £54,800,000 in 1886 to £119,000,000 in 1900. This inevitably suggests the question, How did we pay in 1900 for £64,200,000 of American merchandise—that is, for the increment of this balance? The current answer to questions of this sort is well known. In the first place, the course of trade is not to and fro merely, but circulating. Part of this American merchandise we may have taken in exchange for imports sent to other countries—Canada, for instance—which in their turn export to the United States; and, indeed, we have already had occasion to remark that some considerable part of the exportation that is recorded as American is exportation of the agricultural products of Canada passing through the ports of the United States. In the second place, we are told¹ to allow for the purchasing power of invisible exports, that is, for freights and for the interest on British capital invested in the States. This explanation is necessarily hypothetical, and there is no satisfactory test of the truth of the hypothesis that is ready to hand. It may be worth remarking that, if we allow as much as 25 per cent. for freight, and if, in order to make the very most of the explanation, we suppose that all the trade between Great Britain and America goes to and fro in English bottoms, and that the whole profit of the carrying trade is English income, there remains a balance to account for which we must suppose that more than £1,000,000,000 of English capital has been newly invested in American securities since 1866.

This remark may help to prepare the mind of the reader for a third hypothetical explanation, namely, that we have been purchasing these imports from America in part, not with the interest on capital, but by the surrender of the capital itself. Such is the conjecture of the Board of Trade expert, who remarks: “It is alleged, and probably with good reason, that the United States have been repurchasing American securities in European markets to a large extent

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in recent years, and principally in the United Kingdom. This would help to explain a portion of the large increase in the value of our imports from the States since 1895."

This is a discomposing explanation, for it means that we are eating up our capital, the savings of bygone fat years—that we are buying corn and cotton from America not with the products of present industry, but with the economies of past industry. If it is true that these savings are being spent, we cannot help asking what will happen when they are all spent. Further, even though we cautiously treat Sir A. E. Bateman's explanation as a possibility only, not as a hypothesis rendered necessary by the observed facts, it will serve at least as a sufficient reply to those who ask triumphantly: "If we do not pay for imports by exporting the products of our own industries, or by 'invisible' exports, we must pay in cash: show us, then, the record of our exportation of cash and bullion." The "invisible" exports may include, not merely interest, but the capital itself, repaid—and spent.

Here, then, we have an additional reason for trying to shun the fallacy that lies in the method of adding imports to exports, and claiming that our commercial prosperity is undiminished because the "volume of trade" is still rising year by year. The bearing of the observation, so far, upon the present controversy is this: that it supplies another retort to those who contend that there is no *prima facie* case for inquiry because our commercial prosperity is all that we could wish.

THE AMERICAN TARIFF

Let us pass on to an observation that affects the economical question now at issue directly and in a most striking way. Reading down the export column of the table, we find a satisfactory and, except for a slight fall in 1888, a continuous yearly increase, until we reach the year 1891, when we are confronted by a sudden fall. Of the immediate cause of this decrease there can be no reasonable doubt. The year 1890 was the year in which Mr. McKinley's celebrated Protective tariff was enacted.

When the platforms of the Democratic and Republican

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parties were published in 1892, the Democrats denounced the McKinley tariff in unsparing terms, and the Republicans retorted by "reaffirming the American doctrine of Protection," and asserting that "the prices of manufactured articles of general consumption had been reduced under the operations of the Tariff Act of 1890." The Democrats won the election: in 1894 Mr. Cleveland's administration carried a measure mitigating the severity of the tariff; and in 1895 we find a sudden recovery of our export trade to America.

In 1896 the Republicans made the restoration of the tariff the first plank of their platform. "This true American policy," they said, "taxes foreign products and encourages home industries; it puts the burden of revenue on foreign goods; it secures the American market for the American producer; it upholds the American standard of wages for the American working man"—and so forth. To Englishmen nurtured on a very different economic doctrine these bold assertions appeared too absurd for serious discussion. The Americans, however, who had had recent experience both of McKinleyism and of the alternative policy, gave Mr. McKinley his majority. In 1897 there was a re-enactment of the stringent tariff; and in 1898 the table shows another big fall in British exportations to America.

TARIFFS AND EXPORTATION

So far the devotees of free imports will make no demur to our observations. They need not, and will not, deny that a protective policy may accomplish its purpose of discouraging imports, and especially imports of manufactured goods. "But," they reply, "the more the policy succeeds in this object, the more disastrous it is for the protected country, for you cannot injure your import trade without also injuring your export trade. In the first place, if you refuse to buy from foreign countries, you are depriving them of the means of buying from you; and in the second place, Protection increases the cost of production at home, and so puts your manufacturers at a disadvantage in competition."

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A glance at the table will show that this record of actual transactions does not bear out, but emphatically contradicts, this theory. In the crucial year 1891, when our sales to the United States fell by £4,600,000, our purchases from the United States, so far from falling in sympathy, actually rose by £7,100,000. The fluctuations of the import and export returns do not exhibit at any point that correspondence which the theory demands. The fact stares us in the face, plain, undeniable, and not to be explained away, that McKinleyism has not produced the injurious results which it should have produced if the economic doctrine, on which our fiscal system is based, really contained the whole truth of economic science. Which is the more prudent course—to treat the facts with disdain, or to reconsider the doctrine?

Mr. McKinley's chief object was to encourage American manufactures. How far he succeeded may be gathered from the following statistics, supplied by the Board of Trade Memorandum. They are returns of the average annual exportation of manufactured goods from the United States in two periods of five years each :

1883-1887	. . . .	£29,000,000
1896-1900	. . . .	£66,000,000

Increase , 127 per cent.

During the same period the increase of manufactured exports from Germany (protected since 1879) was 31 per cent., and from the United Kingdom only 4 per cent.

COBDENISM AND MCKINLEYISM

It is so difficult for us, with our insular prepossessions, to look at an economic question from an unfamiliar point of view, that a writer who should allege that the purposes of Mr. Cobden and Mr. McKinley were identical, and that they both succeeded, would be accused of trying to startle people with a paradox. Yet he might find a good deal to say in support of such a view. In the popular mind Cobdenism means simply the cheap loaf; but the cheap loaf was by no means the only purpose of the apostles of Free Trade.

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In Mr. Cobden's time manufacturing production had recently been greatly cheapened by mechanical inventions; the output of the labour of each workman was vastly greater than it had been in the eighteenth century. The object of the Lancashire manufacturers, who supplied the energy and the funds for the most persistent and expensive of agitations, was to secure freedom to exchange the product of their looms for the food-stuffs of foreign countries, and so not merely to get a cheap loaf for their workpeople, but to be enabled to provide a larger number of workmen with employment and wages for the purchase of the loaf. The result which they anticipated followed on the adoption of their policy. The justification of Cobdenism rests upon the record of a great expansion in our exportation of manufactures. That expansion has now practically exhausted itself. We look across the Atlantic, and see the Americans pursuing the same object by means that seem to us very different; and, under the changed conditions of modern trade, they are succeeding as we succeeded sixty years ago.

FREE TRADE AND FEDERATION

What is to be the inference? Are we to continue the discussion whether America has prospered "because of" or "in spite of" Protection? Perhaps the true answer is to be sought in another view—or, as some may say, another paradox—that America flourishes because of her Free Trade. Mr. Benjamin Kidd has reminded us that the United States possess the largest Free Trade area in the world. There is, however, a larger area still to be secured by sagacious statesmanship—the area of the British Empire. If it is true that the secret of American progress is to be found in the freedom of exchange that obtains among the States of the great Federation, surely the lesson is: Let us also federate. Whatever the immediate issue of the present controversy may be, the policy of the future, if we are wise enough to adopt it in time, must be a policy of advancing by steps and as far as possible to Free Trade—reciprocal Free Trade—within the Empire.

XII

THE INTEREST OF WORKMEN IN FISCAL REFORM

SUPPOSE that a County Council, having to build an iron bridge at the public expense, invites tenders for the supply of girders and other ironwork: that the lowest tender received from any English firm is £250,000: that a foreign ironmaster tenders for £240,000: and that the latter tender is accepted in order to give the ratepayers the advantage of the cheapest market.

Consider first of all some of the results of this decision:

(1) The ratepayers save the interest and sinking fund on £10,000—say £350 annually.

(2) A large sum of money, drawn from the earnings of Englishmen, which might have been spent in finding employment and wages for English workmen, is spent in the employment of foreign labour. It is, indeed, alleged by the zealots of free imports and unrestricted competition that this does not really matter, because the foreign capitalist who receives this £240,000, and the foreign workmen among whom he distributes the greater part of it, are subject to a mysterious compulsion to expend all that they receive upon British products, so that the loss of employment to the British worker in iron is exactly counterbalanced by increase of employment for workmen in some other unspecified British industries. But this book has been written in vain if the reader retains any assured faith in this very precarious expectation.

(3) The placing of the order abroad has a tendency to increase the rate of wages in the iron trade of the foreign

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country to which it is sent, and the withholding of the order from British ironmasters has a tendency to lower the rate of wages in the English iron trade.

(4) The fourth result is a very curious one. The sum of £240,000 is added to the import returns of the country for the year ; the recorded " volume of trade " is augmented ; and therefore, in the view of those who add imports to exports and joyfully contemplate the result, the proof of our commercial prosperity is enhanced by this amount. Whereas, if British iron were used, if British labour were employed in every process, from the getting of the ore and the coal for smelting it, to the final deposition of the girders in their appointed place, no item would be added in respect of this transaction either to import or to export returns, and no addition made to the recognised proof (according to free importers) of our commercial prosperity. Imagine for a moment that the preference of foreign for British labour were carried to such an extent by public and private purchasers that one-half of our workmen were thrown out of employment. The augmentation of the " volume of trade " would be enormous ; the accepted proof of the growth of our commercial prosperity would be more conclusive than ever ; and this as a result of operations that would have vastly increased the aggregate of honest poverty and undeserved destitution in the country.

THE PROTECTION OF THE WORKMAN

We are not concerned here with the discussion whether the County Council is justified in employing foreign labour on a public work for the sake of a small economy, or whether it is under any sort of moral obligation to pay the extra £10,000 for the sake of the British iron industry ; nor is any judgment on this question implied in these comments. With the arguments that may be, and indeed often have been, adduced when such a question is under debate we are concerned so far as they throw light on the tariff controversy.

If the county is itself a seat of the iron industry, the Council is asked to consider that the employment of home

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labour helps to increase the population of the county, to enlarge its rateable value, to diminish demands on the poor rate, and so forth, and to compute whether after all it would not gain more than it would lose by paying the £10,000. In any case it is certain to be argued that one reason why the foreign ironmaster can underbid his English competitor is that the Council itself imposes on the latter, but cannot impose on the former, an obligation to pay standard wages. If, then, the fair-wages clause is not supplemented by an understanding that the Council will employ British labour wherever British workmen can produce what it wants to buy, the British workman is actually damnified by a provision designed for his protection.

The force of such reasons is commonly appreciated most highly by labour representatives. Evidently they cannot consistently admit that the law of the cheapest market must over-rule all other considerations whatsoever, for every operation of the trades unions is an act of resistance to the law of the cheapest market. They cannot but be conscious that it is futile to call for more legislation to protect the workman against sweating at home, while foreign sweated labour is admitted to unrestrained competition with protected British labour. Yet labour leaders must also be aware that little would be achieved even if they succeeded in insisting that public contracts should, where possible, stipulate for the employment of British labour, so long as companies and private purchasers are constrained by the conditions of competition among themselves to take their custom to the cheapest foreign market. Even though local authorities should consent to postpone the interest of the ratepayers to the interest of the trades, their protection could be only occasional and partial. If anything effective is to be done, it must be done by the State; and the method must be a discriminating tariff.

Consider in this connection one of the most forcible arguments of the Anti Corn Law League: "We have always maintained that the landlord has a right to labour at the market price of labour; but we deny the right of the landlord to screen himself from competition while he

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exposes his labourers to it in its severest form.” Evidently this argument—here cited in the words of Mr. Bright—has a double edge. Now that the right of the employer to “labour at the market price of labour” (that is, at competitive prices) is restricted in so many ways, is it not fair to say that if the workman “screens himself from competition” the employer ought not to be exposed to the competition of cheap foreign labour? Nor is this question one in which the interests of the employer and the workman clash. When it is a question of scarce or abundant employment, their interests are identical.

Let the leaders of labour consider fairly whether those are right who pretend that the interest of workmen in the present controversy is ended as soon as it is settled that the price of food will, or will not, be raised by tariff reform. Let them consider whether a discriminating tariff is not exactly what is wanted to complete the work begun by factory legislation and by the establishment of standard rates of wages.

THE CONTROL OF IMPORTATION

Finally, workmen will do well to inquire carefully whether they have not a special interest in that control of importation which can be secured, and is secured in many countries, by a judiciously regulated tariff, but not by any other means.

We are taught by the political economists that it is absolutely necessary that we in Great Britain should import more than we export. The workman who does not like to see his rich fellow citizens spending money in employing foreigners, while he is out of work, is warned that this objection is futile. This employment is determined, not by the caprice of men, but by an inexorable natural law, and to try to prevent it by legislation is as absurd as it would be to try to protect persons in danger of falling from a scaffolding by bringing in a Bill to repeal the law of gravitation. The reason is that in times past, when Englishmen had a great store of spare capital, they lent that capital

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to foreign nations. Those nations must needs pay the interest. They cannot pay the interest in gold, nor, if it were possible, would it be to our advantage that they should do so. We are therefore obliged to take from our foreign debtors so many million pounds worth of foreign products, over and above what we receive from them in exchange for our own exports.

This is true : but it is important to observe a point which free importers overlook or conceal, namely, that this obligation is double. If we are obliged to accept foreign merchandise in payment of this annual debt, they are equally obliged to send us merchandise in payment of the debt—a mere truism, but important in view of the question that follows. Which side is to determine in what sort of merchandise the debt is to be paid ? Can the creditor claim a voice in the decision as well as the debtor ? In other countries that control has been actually secured by a regulated tariff. For example, Mr. McKinley resolved to establish a tinplate industry in America. There was a strong resistance to the tariff on imported tinplates on the part of the producers of canned food. Canned food, they said, in America is the poor man's food : to put a duty on the material of the cans is to tax the food of the poor. Mr. McKinley persisted, and he succeeded. A great tinplate industry was created ; and, what is perhaps more surprising, his prediction that the canners would buy their tinplates more cheaply than they had bought them before the tariff has been fulfilled. Anyhow, the Americans, having decided that they would not take payment of the English debt to them in tinplates, did in fact prevent the debt being paid in tinplates. But this did not mean that the debt was not paid at all, only that it was paid in something which they did not object to import, as, for instance, in tea, which they cannot grow themselves.

The point is that it follows from the well-known economic law cited above that, if we elect to limit by a tariff the importation of those sorts of merchandise which are injurious to our own handicraftsmen—that is, manufactures which compete with the products of our own mills and factories—

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foreign nations will still have to pay their debt to us, and can be obliged to pay it by sending what we choose to take—food, for instance, materials, and manufactures for the production of which they possess natural advantages—instead of what they prefer to send.

Merely by way of illustration, take the trade in woollen manufactures. In 1887 our exportation of woollen goods made at home was £20,600,000. In 1902 it had fallen to £15,300,000. During the same period the importation of woollen goods manufactured abroad brought into this country rose from £7,700,000 to £10,600,000. It appears, then, that the English clothmaker has been losing his hold simultaneously on the foreign and on the home markets. This is very disagreeable for Yorkshiremen who earn their living in this trade, and who do not find it easy to take the cheerful advice of the economists, and change the occupation in which they are skilled for a trade in which they have still to serve an apprenticeship.*

Whether or not this importation of more than £10,000,000 worth of woollen and worsted goods ought to be checked in the interest of Leeds and Bradford is a question not to be discussed here. It is the business of the persons concerned to make out a case for protection against foreign competition, if they can demonstrate that that competition is unfair. The observation to be illustrated is merely this—

* When half-ruined industries call for Protection the reply of Free Importers is to the following effect: "If you cannot produce as cheaply as your foreign competitors your industry is proved to be economically disadvantageous, so far as this country is concerned. The remedy is simple. Abandon the trade altogether, and transfer the capital and labour hitherto engaged therein to some other industry that can be pursued here with economical advantage,"

As a piece of practical advice this familiar recommendation fails because it rests on three gratuitous assumptions—

- (1) That there is always at hand an unlimited supply of industries not already fully supplied with as much capital and labour as they can employ.
- (2) That capital can be transferred at will, without loss or waste, from one productive industry to any other.
- (3) That a man who has acquired one handicraft can at any time, without economical loss, drop it and take up another.

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that this or any other particular importation is not a necessary consequence of that foreign indebtedness which makes an excess of imports over exports necessary. It is true that the £10,000,000 in question does represent a payment which foreign countries are obliged to make to us in the form of merchandise. But why necessarily in the form of Bradford goods? If it were considered expedient to prevent or restrict this importation by a sufficient tariff, foreign nations would still be obliged to send us something in payment of their debts, and what they send, being then determined by the conditions of our tariff—as what we send to them is already determined by the conditions of their tariff—might be something of which the importation would not injure a staple industry and impair the value of a laboriously acquired handicraft.

This is a workman's question ; and it is to be hoped that, as soon as the clamour about the dear loaf has subsided, it will receive some attention from those leaders of opinion who enjoy the confidence of the working classes.

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